the Freeman

Ideas on Liberty

JUNE 1969

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VOL. 19, NO. 6 • JUNE 1969

A Capitalist Manifesto — **William Henry Chamberlin** — 323
The proven superiority of capitalism in solving the problems envisioned by Marx should bring forth a new manifesto.

Combinations in Restraint of Trade — **Paul L. Poirot** — 331
In our zeal to reform the world, we often embrace one of the very errors we most abhor.

The Rise and Fall of England:
16. The Fall of England (Part I) — **Clarence B. Carson** — 335
The anomaly of the collapse under socialism of a victor nation in World War II.

The Intellect in Utopia — **Roger Donway** — 346
How the mind of the reformer and his freedom to plan must give way to the coercive methods he espouses.

The Right to Health — **Thomas S. Szasz, M.D.** — 352
If one has a right to treatment, does he have a right to resist treatment? And who is to provide such care?

Education in America:
9. Academic Freedom for What? — **George Charles Roche III** — 363
Freedom to seek the truth within the bounds of civilized society and to attract students toward such findings.

The Fallacy of "Intrinsic Value" — **Gary North** — 370
Not the labor stored in gold but its physical properties cause man to value it as money.

Book Reviews — 376
"The Coming Aristocracy" by Leonard E. Read
"Dollars and Deficits" and "The Optimum Quantity of Money, and other Essays" both by Milton Friedman
"So Human an Animal" by Rene Dubos

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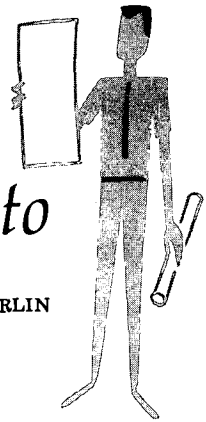

A Capitalist Manifesto

WILLIAM HENRY CHAMBERLIN

MORE THAN A century ago, in 1848, Karl Marx and Friedrich Engels, on behalf of the Communist League, issued *The Communist Manifesto,* one of the most famous appeals for revolution. The following paragraph in the *Manifesto* sums up the communist objective in a nutshell; and this objective has been realized, in varying degree, in the Soviet Union, mainland China, Cuba, and the Soviet satellite states in Eastern Europe:

"The proletariat (wageworking class) will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, i.e., of the proletariat organized as the working class, and to increase the total of productive forces as rapidly as possible."

To put this in somewhat more understandable language: The wageworking class will seize governmental power and confiscate all property from its owners. The state will then proceed to operate factories, mines, transportation systems and endeavor to raise production levels as rapidly as possible.

The *Manifesto* is phrased in rather melodramatic language. It begins with the assertion that the specter of communism is haunting Europe, asserts that history can only be understood as a succession of class struggles in which slave society gave way to feudalism and feudalism to capitalism. Capitalism, in turn, must give way to a higher form of society: socialism or communism. Marx used these

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two words interchangeably. The communist ideal includes such points as the abolition of private property in land; a heavy progressive or graduated income tax; abolition of all right of inheritance; centralization in the hands of the state of industries, means of communication and transport, and credit; and universal liability to labor. The opposition of communists to the existing order is emphasized in the concluding sections of the *Manifesto*:

"The Communists everywhere support everywhere every revolutionary movement against the existing social and political order of things . . . .

"The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win.

"WORKINGMEN OF ALL COUNTRIES, UNITE."

Vision of the Future

The Communist Manifesto is a call to revolutionary action. The comforting assurance that such action is in line with historical destiny is to be found in one of the few vividly imaginative passages in Marx's major work, *Capital*. In general this work is so heavily interlarded with early nineteenth century British economic theory and the philosophical ideas of Hegel, which Marx twisted and applied to his own purposes, that only the most persistent and devoted communists and socialists can honestly boast of having read it through. In this passage, however, Marx gets away from his customary ponderous long-winded style and sets forth the essence of his doctrine and his vision of the future:

"While there is a progressive diminution in the number of the capitalist magnates, there occurs a corresponding increase in the mass of poverty, oppression, enslavement, degeneration, and exploitation. But at the same time there is a steady intensification of the wrath of the working class – a class which grows ever more numerous, and is disciplined, unified, and organized by the very mechanism of the capitalist method of production. Capitalism becomes a fetter upon the method of production which has flourished with it and under it. The centralization of the means of production and the socialization of labor reach a point where they prove incompatible with their capitalist husk. This bursts asunder. The knell of capitalist private property

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sounds. The expropriators are expropriated."

Here is a vision to tempt the eyes of advocates of revolutionary change, whether they favor peaceful or violent methods. It has all the appeal of an epic drama. There is a villain, the capitalist exploiter; a hero, the downtrodden proletariat; and there is an allegedly scientific assurance that the hero will win. For, if the rich become fewer and richer and the poor more numerous and more miserable, the long-range odds for social change are clearly on the side of the poor.

Bad Guessing

Unfortunately for Marx's reputation as a prophet, what he represented as infallible laws of historical development proved by the course of events to be mere arbitrary guessing about the shape of things to come — and pretty bad guessing, at that.

Take the very keystone of the Marxist theory: the dogmatic assurance that the rich will become fewer as they gather more wealth into their predatory hands, while the poor wage-working "proletarians" become constantly poorer, more degraded and oppressed. (Incidentally, Marx and his collaborator, Friedrich Engels, never made clear how and why a long process of poverty and exploitation fitted and qualified the proletariat to rule.)

But it is a matter of visible record, which could be supported by mountainous statistics, that it is in just those countries where the capitalist system has been most faithfully preserved that the industrial wage-workers have achieved the most impressive gains in real wages, in food, clothing, housing, educational and employment prospects for their children, in everything that goes to make up a standard of living.

Even in Marx's lifetime, in the middle and latter part of the nineteenth century, the poverty of the industrial workers in the country he knew best, England, was diminishing. Could the socialist prophet revisit London where he spent so many weary hours poring over government reports on industrial conditions, he could scarcely fail to be amazed at how living conditions in London's East End and other industrial areas had improved, by the number of new items in the working class family's budget. And this improvement was general in all advanced industrial countries where capitalism was allowed to function.

Indeed Marx, the supposedly scientific prophet of the world's economic future, has been proved completely wrong on many important points of his creed. The most

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significant, perhaps, of his mistakes was about the increasing poverty and misery of the wage-working class. Another conspicuously bad guess was about the regular evolution from one type of social-economic organization to another. Marx was convinced, and the idea recurs frequently in his writings, that a higher form of society would only emerge when all the possibilities of the preceding lower form had been exhausted.

In other words, only a country that had passed through a long development of capitalism would be ripe and fit for a socialist transformation. A socialist revolution before capitalism had reached maximum development would be a sin against Marxian theory – indeed, according to this theory, could not occur.

The Improbability of Communism in Russia and China

Once again Marx failed as a forecaster, and on two counts. The highly developed capitalist countries that should, by Marx's rules, have been ready for the transition to socialism or communism, the United States, Great Britain, Germany, showed no inclination to take this road. The communist revolutions that occurred – in Russia in 1917, in China in 1949 – took place in countries where according to Marx no such upheavals should have occurred.

Indeed, in Russia one of the principal arguments between the Bolsheviks – who pushed the revolution through and quickly turned the supposed rule of the Soviets into the rule of the Communist Party and substituted a dictatorship *over* the proletariat for the Marxist ideal, dictatorship *of* the proletariat – and the more moderate Mensheviks was about Russia's suitability for a socialist revolution. From the standpoint of Marxist dogma, the Mensheviks had the better of the argument; Russia was in a very early phase of capitalist development and certainly had not exhausted the possibilities of this phase. But the Bolsheviks had the stronger practical arguments: the guns, the swift organization of a system that made the expression of any contrary views impossible. They made a revolution in the name of Marx in violation of some of Marx's basic and most cherished convictions.

Even more striking was the unsuitability of China for application of Marx's blueprint of revolution, which assumed a highly developed industry and a large class of organized industrial wage-workers. Outside the large cities, much of China was in a pre-capitalist state of economic devel-

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opment, far behind Czarist Russia. About the collectivist revolutions of the twentieth century, the Russian and the Chinese, there may be many opinions; but one fact is clear. Although both were made in the name of Marx, neither fitted Marx's prescription of socialism as an organic growth, with more or less violence, from the supposedly lower stage of capitalism.

Self-Destructive?

Marx had thought of capitalism as carrying the seeds of its own destruction. Whenever nineteenth century England experienced an economic setback, Marx and his friend Engels exchanged joyful letters about the impending doom of the hated capitalist system. But in England, as in the United States and other countries, there was invariably a recovery from depression; and not only a recovery but a surge to new heights of production.

During Marx's lifetime and during the interval between his death and the outbreak of World War I there was no sign of the death of capitalism from what might be called internal disease. There was a considerable growth of socialist parties in Europe; but these parties showed an increasing tendency to seek their objectives by evolutionary and peaceful methods. Violence came into play in poorer and socially more backward countries. And, when the workers of Europe faced the choice between loyalty to nation and loyalty to class, on the outbreak of general European war in 1914, the overwhelming majority followed the call to the colors.

Extreme internationalists who followed Lenin's slogan, "Turn the imperialist war into civil war," were a negligible minority. Even in Russia, where political assassination, mass political strikes, military and naval mutinies had figured in the struggle against an autocratic regime, the first impulse after the outbreak of hostilities was toward national unity.

As the war went on, with its lengthening casualty lists, its uprooting and dislocation of vast numbers of people, its growing privations and sacrifices, this early enthusiasm vanished. The war was an important factor in bringing about successful revolution in Russia, revolts and riots in other countries. And World War II had much the same effect in China as had World War I in Russia. The communists were the only winners. But this was not according to Marx. Both in *Capital* and in the more succinct *Communist Manifesto*, revolution is seen as the end product of internal weaknesses in the capitalist system, not of an external force like war.

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The Superiority of Capitalism

The Communist Manifesto is based on assumptions that are, in some cases, unproved, in other cases disproved by the course of historical development. It is time that some individual or group put forward a Capitalist Manifesto, affirming faith in capitalism as the best, fairest, most efficient and humane method known to human experience for getting the world's work done, especially in the light of the contrasted example and lessons of its collectivist challenger. Such a Manifesto would state six reasons for the superiority of capitalism, based not on doctrinaire theories and dubious assumptions, but on the clear teachings of human experience:

(1) Two examples at opposite ends of the world, Germany and Hong Kong, prove the magic of capitalism in restoring a shattered economy or creating a flourishing oasis of industry and trade which had not existed on anything like the same scale before. The recovery of Western Germany from hunger, ruin, and apathetic despair after Dr. Ludwig Erhard prescribed his medicine of prosperity through hard work, competition, individual incentive, and return to maximum freedom of trade, was so spectacular that it is still often referred to as the German miracle. To move across the frontier to communist-ruled East Germany was, as a German once said to me, like the transition from day to night.

Hong Kong is a bare island with an adjacent strip of mainland, a leased acquisition of Great Britain after one of its nineteenth century clashes with China. The city has grown enormously since the end of the war, mainly because of the influx of refugees from the communist-ruled mainland. Four million people are now crammed into this small area. Here is the comment of a recent visitor, the American journalist, William L. White:

"The little city is prosperous beyond belief. This surviving vestige of British colonialism shows what free trade can do, if it is left free."

In history and ethnic make-up Hong Kong is very different from the German Federal Republic. But both teach the same lesson: the enormous built-in dynamic of capitalism. Incidentally, Hong Kong is one place where the native population emphatically does not want the British to leave.

(2) Freedom from monopoly saves the capitalist system from hardening of the economic arteries. If one firm turns down a promising scientific or managerial invention, another firm may take it up, and take the lion's share of the market with it.

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One of the least convincing arguments for socialism is the occasional appearance of monopoly abuses under free enterprise. But monopoly abuses under capitalism are transitory and self-correcting, if not induced and sustained by government grants of power. Under socialism, or communism, where the state is the sole producer and distributor, these abuses are permanent and irremovable. What an illusion, to imagine that the cure for the evils of monopoly is more monopoly!

It is highly significant that it is always the communist-governed countries that are trying to learn from the more advanced capitalist lands. It is never the other way around. In recent years communism has been paying capitalism the proverbial flattery of attempted imitation by experimenting with such capitalist devices as differential wages, emphasis on profits for state enterprises, and so forth. But these feeble imitations will not lead to success, it may safely be predicted, so long as the essential ingredients of private ownership and private profit are missing.

(3) Far from being reactionary and tyrannical in its effects, capitalism – with its diffusion of economic power among millions of owners and investors, large and small – is the only system compatible with the checks and balances, the freedom of the press, the holding of free elections, and the legal guaranties against arbitrary actions of state authority that make up the essentials of a free society. Communist regimes have been set up in various countries and under various circumstances. But it is surely significant that not one of these states can pass the free election test, where various candidates may compete with the spoken and printed word, and without fear of the policeman's knock as a result.

A generally capitalist economy is no guaranty of political freedom. The scope and reality of free political institutions vary from country to country depending on such factors as political experience, education, and others. But one infallible way of assuring the elimination of any trace of control by the citizen over the state is to set up a communist economy and thereby make the state, and the people who operate that state, the monopolistic possessors of economic power. That is a rule to which there have been no exceptions.

(4) Anyone who cherishes freedom should be a convinced upholder of the capitalist, or individualist, economy. For freedom is in the very nature of capitalism, as compulsion is an integral

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aspect of an attempt to put Marx into practice. The degrees of pressure on the individual in a collectivist society to do what the state dictates, rather than what he may choose to do or not, vary from the frightful brutality of slave labor concentration camps to milder methods. But the pressure is always there. Not the least of the merits of capitalism is that it leaves the individual alone, to work at whatever may attract him, to be a hobo or a hippie.

(5) Capitalism is a nonutopian system. It does not promise the earth, the moon, and the stars to those who live with it. It does promise them freedom to choose between material and nonmaterial objectives. It assures them that, subject to vicissitudes and accidents which are in their nature uncontrollable, they will go as far, by and large, as their abilities, diligence, and aptitude will carry them. Not to be utopian may seem a rather negative tribute. Yet it is doubtful whether more or less consciously evil men have inflicted as much suffering as have utopian idealists, enjoying a period of absolute power and prepared to turn life into a hell for the present on the doubtful prospect that it may be a heaven for future generations.

(6) There is a widespread feeling that, while capitalism may be useful and efficient, it is somehow sordid and lacking in moral inspirational appeal. But on a closer view, a philosophy that has given the world the wonderful device of the free market, that makes possible the checks and balances on which a free society depends, that diffuses economic power as a free society diffuses political power, that avoids the cruelties of compulsion and the illusions of state planning, that steers clear of utopianism – such a system is by no means lacking in moral appeal, especially if one fairly examines its alternatives. In that connection, worth remembering is a saying of the late Wilhelm Röpke, one of the most brilliant exponents of economic freedom as indispensable for all other kinds of freedom:

"While the last resort of the competitive economy is the bailiff, the ultimate sanction of the planned economy is the hangman."

EDITOR'S NOTE: *The Exploitation Theory* by Eugen von Böhm-Bawerk is a scholarly analysis and exposé of the fallacy underlying the Marxist writings. Published by The Libertarian Press, the booklet is also available at $1.50 from the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 10533.

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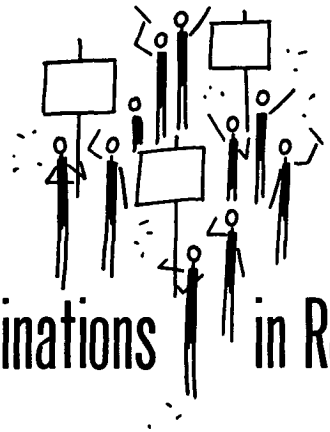

PAUL L. POIROT

Combinations in Restraint of Trade

IF ONE COULD POLL all past and present economists, perhaps the point upon which they'd most nearly agree is that combinations in restraint of trade are economically unsound. Not even Karl Marx would have defended a monopoly or cartel.

Unfortunately, there is no depth to such convictions; the agreement on the matter is strictly superficial. "Workers of the world unite," thundered Marx; and combinations in restraint of trade have constituted the core of social reform from that day to this.

Trade is the lifeblood of civilized society. This is not to suggest a social organism to which the individual human being must bow and scrape, but an operating method that allows each peaceful person to choose and act freely. The free market, in other words, is a means for social cooperation, association for mutual gain. Its functioning depends not upon our being perfect or all-wise or selfless or equal but upon our being human – not upon our similarities but upon our differences – not upon what we own or hold in common but upon our independent likes and dislikes and that which each can identify and claim as his own private property.

It is neither necessary nor desirable that there be equality in the possession of things, though certain emergency situations may give rise to such rationing – a band of pilgrims stranded on a rock in the dead of winter; survivors on a raft in a hostile sea; a faithful few standing by for the coming of a New Jerusalem – or a higher stage of socialism.

Whatever one's conclusion about the efficacy of such emergency rationing for purposes of survival, the historical record affords no comfort to the advocates of col-

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lectivism as a continuing way of life. That "wave of the future" is a failure. It plugs every avenue to progress and leads only to the dead level of mediocrity. No individual is permitted to gain or lose, succeed or fail – as though evolution could occur without birth and death.

Keynes was under no illusion as to the consequences of the intervention he advocated. "In the long run," he said, "we are all dead." Forced equalization as a method for survival in the short run leaves man without means or purpose for the long run. No one bothers to specialize or save or attend to the processes of continuing production – unless he is allowed to retain and enjoy the fruits of such effort. Compulsory collectivism is indeed a conspiracy, a combination in restraint of trade.

Destroy the Machinery

We smile knowingly, and sadly, at the reports of the destruction of machinery by workers in the textile mills in the early stages of the industrial revolution. They thought their jobs and means of livelihood were being threatened by the new spinning jennies and looms. Today we know very well the futility of trying to earn a living spinning thread by hand or trying to weave without the latest power loom equipment. We know how shortsighted were the early factory workers with their silly combinations in restraint of trade. The very idea of breaking up the machinery that would enable them to produce more efficiently!

Or do we only pretend to understand what they did not, while persisting in their foolish ways to destroy the property and disrupt the trade upon which our own lives depend?

Is a twentieth-century strike by workers in any particular industry any less a combination in restraint of trade than was the destructive action of their unenlightened forebears in the textile mills a century or two earlier? What else is an employee strike than a concerted action to immobilize and render ineffective the capital and tools of their trade and the managerial talent developed and accumulated over the ages?

Are twentieth-century rioters in our cities any less destructive of life and property than were their eighteenth-century counterparts among the rabble of Paris? Are modern tariffs, boycotts, embargoes, and controls over prices, wages, and rents any less disruptive of trade than were similar combinations in restraint of trade in previous centuries?

Are the youths of all ages who lead and follow in today's student revolts against the cumulative wis-

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dom and traditions of civilization less detrimental to human progress than were the Huns and Vandals who sacked and burned ancient Rome? Was there ever a more disruptive combination in restraint of education than the striking United Federation of Teachers in New York City?

How may future historians describe our Age of Inflation other than an international conspiracy in restraint of trade, a gigantic counterfeiting operation designed to transfer savings by stealth from private ownership and control to public disposition and wasteful consumption?

At a time when human life throughout the world is more dependent upon the blessings of specialization and trade than ever before, we seem to have hit an all-time high in various combinations in restraint of trade – as though determined to destroy ourselves in the process of plundering others.

How does one counteract a combination in restraint of trade – or violence in any form, for that matter? In the first place, and to the extent that he has a choice, he can withdraw his support of such harmful actions. This may be as simple a matter as clearing his mind of illusions about the nature of people and things, visualizing the numerous peaceful alternatives to this or that outbreak of violence, and putting his trust in one of those alternatives.

There is no point in charging a picket line for the pleasure of knocking heads with those who have no other objective. But one may peacefully withdraw his support of picketing and other forms of violence. He need not profess in public to be in favor of a right to strike; the alternative is to uphold the right to work, to serve oneself by serving others. One's right to work for an employer who provides the tools and manages the enterprise and markets the product includes permission to vacate that job if the wage is unsatisfactory; but it does not entitle the employee who quits to destroy the tools and plant and sales organization and other assets of the business when he leaves it. Nor does it entitle him to draw automatically upon taxpayers to cover the wages lost by not working.

The Guaranteed Life Brings Stagnation

Imagine, if you can, a business enterprise operated on the principle of a guaranteed position in the market, a guaranteed cost-free supply of capital and raw materials, a guaranteed steady stream of customers using ration coupons but otherwise obliged to pay nothing for any product or service, a guaranteed annual wage

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to every employee, with full tenure and seniority provisions and a right to strike indefinitely with unemployment compensation for the duration.

What you have just tried to imagine are the terms and conditions of a full-fledged welfare state, otherwise known as socialism, with you as the guarantor, otherwise known as the taxpayer.

Scarcely anyone can stretch his imagination enough to accept socialism when carried to its ultimate logical conclusion. Yet, there are many who imagine that one of these terms or conditions can be imposed – one step taken – without leading inevitably to the next, and the next, and the same eventual dead end. Every strike action condoned, every picket line respected, every special privilege allowed one person or group at the expense of others against their wishes, every act of coercion against peaceful members of society is destructive of that society and leads to its disintegration. Unless the life of the peaceful person and his property are respected and defended, he cannot be counted upon as either a supplier of, or paying customer for, goods and services; the advantages of specialization and trade will be forfeited, the stage set for the four horsemen of the Apocalypse: war, strife, famine, and pestilence.

If one seriously proposes to do something about a social condition he deplores – let us say, for instance, the fact that not everyone can afford everything his heart desires – then it behooves him to advocate a cure that does not aggravate and accentuate that very problem. It is not helpful to bolster and strengthen the demand for a scarce resource in ways that discourage the production or otherwise diminish available supplies of that scarce resource. If lack of trade is the problem, then combinations in restraint of trade cannot be a right answer. The alternative is a combination in promotion of trade, and the process is through efficient and profitable production of goods and services. He who supplies in the market those things others most want, as evidenced by their willingness to buy, not only serves them. He thereby conserves scarce resources in the only meaningful sense of the term by turning those resources to their most economical use. And whether or not it was his intention, he best serves himself in the process, improving his prospects to fulfill whatever purpose he has in mind for his own life. That kind of social cooperation or combination in promotion of trade is practically all that anyone can do to win the respect and support and good will of his fellow men. ◈

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CLARENCE B. CARSON

The Rise and Fall of England

16. THE FALL OF ENGLAND (Part 1)

THE FALL of England after World War II was precipitate. To outward appearances, Britain was still a major power in the world at the onset of the war. British policy was supposed to be of great moment, if not decisive, in world affairs. If the navy no longer ruled the seas, neither did that of any other power. The sun never set on the British flag; the globes which indicated such things still sported more pink than any other color. Nor is it clear why the war should have changed matters so very much. England and the British Empire fought on the side of the victorious Allies. Nor had the British Isles been invaded by a conquering army; alone among the great powers of western and central Europe, Britain was not subjected to the debilitating effect of occupying armies.

Yet, in short order, Britain was no longer a major power, indeed, was swiftly becoming a minor power. Much of the empire was breaking away, or being cut away. The British were withdrawing forces from their traditional spheres of influence. England's role in the world, far from being increased by victory in the war, was diminishing with unseemly speed. Of course, the British had suffered much during the war, suffered from the bombing, from

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*.

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the loss of men, from the destruction at sea, from the disruptions and dislocations that occur in any war. But the wounds were not themselves mortal, or should not have been, to a once great nation. Indeed, others suffered more, particularly the Soviet Union, and gained rather than lost sway in the world. The explanation for the fall of England must be sought elsewhere. In brief, it is to be found largely in the policies and practices of the government, but before examining further into these there is a broader context that should be delineated.

All of Western Europe

The fall of England was part of a more general phenomenon: the fall of western Europe. The fount and center of Western Civilization for many hundreds of years has been western Europe – the British Isles, France, the Low Countries, Scandinavia, Germany, and thence to countries that had become peripheral already: Italy, Spain, Portugal, Austria, and so forth. In more recent times, the centers of power and influence had usually been England, France, Germany, and, to appearances, a revived Italy. But many untoward developments had occurred in continental Europe between World War I and World War II.

It was supposed that France had the mightiest army in the world. Yet, once the German armies broke through in World War II, it took them only a few weeks to complete the conquest of France. France, it turned out, was only the shell of its former self. Not only had World War I taken its toll but also an internal disintegration had sapped the will of the French to resist. Germany suffered the debilitating effect of a runaway inflation in the 1920's, accompanied by foreign pressures and internal socialist experiments. Then came the terror and violence of the years under Hitler. Italy underwent both the deterioration of its parliamentary institutions and the fascist dictatorship of Benito Mussolini with its overtones of socialist syndicalism. Once great centers of civilization succumbed to the blandishments of men teaching barbaric doctrines.

Then came World War II. First, most of the countries were subjected to invasion and occupation by German and Italian armies. Then Allied armies thrust over much the same ground, and in the end occupied Germany and Italy, along with many other lands. The requirement of unconditional surrender resulted in the virtual destruction of the power and will to resist of the Germans (as well as the Japanese).

At the end of World War II,

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then, a power vacuum existed in western and central Europe. The shell of France had been cracked or broken; only the indomitable will of Charles De Gaulle has held the country together since. That Italian power was largely the bombast of Mussolini became obvious rather early in the war. German power was utterly destroyed; much of its manpower and machinery carted away by the Russians; the land subjected to division and occupation by conquering armies. No treaty has yet been drawn with that divided country. If the will exists to develop any new center of power on the continent (aside from the *personal* will of De Gaulle), then there has been as yet no opportunity.

World War II did not bring to an end aggressive action in the world. It only succeeded in destroying the power to resist it on the continent of Europe and for much of Asia. The Soviet Union – fount and center of international communism – used the European disruption as an opportunity to expand communist power and practices. It should have been clear by then that the Soviet Union was aggressive and expansionist. Not only had the communists made a pact with the Nazis before World War II for dividing up the spoils in eastern Europe – a pact observed to the extent that the Soviet Union invaded Poland from the east after Germany invaded from the west – but also they had expanded by taking Latvia, Lithuania, and Estonia, as well as invading and seizing part of Finland during World War II. If any doubt remained, it should have been removed shortly. Everywhere the Soviet armies went, communist governments were soon set up, or were enabled to take over: in Poland, Hungary, Rumania, and so forth. The Security Council of the United Nations, which was charged with keeping the peace, was quickly deactivated by Soviet vetoes.

The Lion at Bay

Britain was the only European country with major power potential at this moment in history which might have wielded weight against Soviet expansion. But Britain was set on another course, as we shall see. It is true enough that the British were exhausted by a long and demanding war effort. (But so, surely, were the peoples of the Soviet Union.) It is true, too, that the British relied heavily upon American aid to conduct the war, that foreign investments had been to a considerable extent dissipated, and that there had been heavy losses of all kinds. There were excuses enough, in all conscience, for the British reti-

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cence to continue a vigorous role in the world. But when a victorious power uses the occasion of its victory to abandon its historic role, it can hardly be attributed to exhaustion by the war.

In fact, such power and force as remained in the British government was turned on the British people. No matter that a majority of the electorate had voted for the Labour Party in 1945, they had, in effect, voted for the government to unleash its power on them. Socialists in power, as has been shown, continued and extended the wartime controls, appropriated property, regulated, restricted, and harassed the British people as those people tried to come to grips with the difficulties that confronted them.

How this power was employed at its nether reaches is illustrated by the following examples from the latter part of the 1940's:

> . . . The Ministry of Food prosecuted a greengrocer for selling a few extra pounds of potatoes, while admitting that they were frostbitten and would be thrown away at once. The Ministry clamped down on a farmer's wife who served the Ministry snooper with Devonshire cream for his tea. A shopkeeper was fined £5 for selling home-made sweets that contained his own ration of sugar. Ludicrous penalties were imposed on farmers who had not kept strictly to the letter of licences to slaughter pigs; in one case, the permitted building was used, the authorized butcher employed, but the job had to be done the day before it was permitted; in another case the butcher and the timing coincided, but the pig met its end in the wrong building. . . .[1]

These homely examples may tell more than volumes of theory of the true nature of the socialist onslaught.

Socialist Wreckage

In short order, the socialists were able virtually to wreck what remained of a once vigorous and healthy economy. Economy had suffered greatly from the interventions of the interwar years. It was hampered even more drastically by wartime restrictions. But the measures of the Labour government were such as to make economic behavior very difficult to follow.

The wreckage was wrought by nationalization, controls, regulations, high taxes, restrictions, and compulsory services. There was a concerted effort to plan for and control virtually all economic activity in the land. The initiative for action was taken from the people and vested in a bureauc-

[1] David Hughes, "The Spivs" in *Age of Austerity*, Michael Sissons and Philip French, eds. (Middlesex, England: Penguin, 1964), p. 99.

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racy. Where industries were actually taken over, they were placed under the authority of boards which were perforce irresponsible, for the usual checks and restrictions (such as the necessity to make a profit) were removed. In short, the bureaucracy was let loose and the people were bound up. To put it another way, much of the great ability and energy of the British people was turned from productive purposes to wrestling with the bureaucracy.

By examining in detail, it would be possible to show all sorts of reasons for the failure of the socialists. However, in such brief scope as this it will be more appropriate to take two of the reasons and explain them. These two are central, but surely not the only ones. One is somewhat peculiar to England; the other is a universal fallacy in socialism. Let us take the broadest one first.

Emphasis on Distribution

Socialists have periodically claimed, at least since the publication of *The Communist Manifesto* in 1848, that the problem of production has been solved. Indeed, they have waxed wroth over the dangers of overproduction, of glut, and of affluence. They have gone so far as to claim that capitalist countries have to have war in order to get rid of the excess production. The problem, they have said again and again, is one of distribution. Moreover, English socialists have been devoted to the idea of as near equal distribution of goods and service as is possible (or "practical"). If they were right in believing that the problem was one of distribution and not of production, they were probably also right in believing that government could solve the problem.

At any rate, the Labour government undertook redistribution with a right good will. They levied highly graduated income taxes, taxed luxury goods at high rates, controlled prices of food, clothing, and shelter, and rationed many items in particularly short supply. Not only that, but they provided free medical services, provided pensions, and otherwise aided those with little or no income. They distributed and they distributed.

Yet, a strange thing—at least to them—occurred: the more they redistributed, the less they had to distribute. Not only did such shortages as they had known during the war continue, but others cropped up as well. One writer points out, "By 1948, rations had fallen well below the wartime average. In one week, the average man's allowance was thirteen ounces of meat, one and a half

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ounces of cheese, six ounces of butter and margarine, one ounce of cooking fat, eight ounces of sugar, two pints of milk, and one egg."[2] Even bread, which had *not* been rationed during the war, was rationed beginning in 1946. The government had first attempted to fool the English people into buying less bread by reducing the amount in a loaf. When that did not work, they turned to rationing.[3] Housing, clothing, food, fuel — everything, it seemed — was in short supply.

A Bad Winter

The situation became perilous in the winter of 1946-47. It was, undoubtedly, a bitterly cold winter, accompanied by unusually large snowfalls. Ordinarily, the winters in England are mild, protected as the island is by the water and the prevailing currents and winds. Not so, this time; the full fury of winter settled upon the land. The effect was near catastrophe, even when reduced to dry textbook language: ". . . in February the coal stocks which were already low could not be replenished because of transport difficulties. . . . For several days much of the industry of the country had to close down; almost two million people were temporarily unemployed; and domestic use of electricity was forbidden during normal working hours."[4] In the midst of all this deprivation, the Labour Party continued on its ideological way, "doggedly pushing their complex nationalization Bills through Parliament whilst wrathful Tories attacked them for paying too little attention to food and fuel, and for employing three times as many civil servants as miners."[5]

It will be worthwhile to pause in the account briefly to consider why a cold winter should cause such distress. We should all be familiar enough by now with the fact that socialist countries seem to be ever and again victims of freakish weather, and such like. Assuming that the rains fall on the just and the unjust alike, there is no need to conclude that these are simply a result of Divine disfavor. On the contrary, a rational explanation is ready to hand. Socialist restrictions make it virtually impossible to adjust with the needed speed to unusual circumstances. In the market, the rise of prices signals distress, and the opportunity for profit induces men to concentrate their energies at the point of greatest demand. But in England prices could not

[2] Susan Cooper, "Snoek Piquante" in Sissons and French, *op. cit.*, p. 38.
[3] *Ibid.*, pp. 40-43.
[4] Henry Pelling, *Modern Britain* (New York: Norton, 1960), p. 181.
[5] Cooper, *op. cit.*, p. 51.

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rise, for they were controlled. Transport could not be shifted readily to carrying coal, because it was controlled. The coal miners did not respond to the challenge, for they were enjoying the political perquisites they had won by nationalization. In short, national planning is for an ever-normal situation based on averages which have never exactly occurred and can hardly be expected to in the future. The very unexpectedness of the unusual makes planning for it a contradiction in terms. When men are free, their energies may be turned readily to relieving distress; when they are restricted, they use up much of their energies in complaints against the powers that be.

At any rate, the socialists in power discovered very quickly that the problem of production had not been solved. In England, as elsewhere, socialists have been confronted with mounting problems of production. By the summer of 1947 the British government was making no secret of the problem. " 'We're up against it,' intoned the Government posters, £400,000 worth of them, all over the country: 'We Work or Want.' "[6] There is little evidence that socialists have learned the source of what must be to them the paradoxical development of mounting problems of production when they follow their policies of distribution. If they did, of course, they might give up socialism. The fact is that when production is separated from distribution to any considerable extent the incentives to produce are reduced. When this is accompanied by numerous restrictions which hamper men in their productive efforts, goods and services will be in ever shorter supply.

Increasing Intervention

The other major reason for the dire impact of socialism and interventionist measures on England was closely related to the historical economic development of that country. Throughout the modern era the British have been a seafaring and trading people. In the nineteenth century, they accepted the prescription of Adam Smith, in large, specializing in what they did well, depending much on foreign trade, and importing much of what they consumed. The great prosperity which they enjoyed testified to the efficacy of this approach to economy. But from World War I on, interventionist measures made it increasingly difficult for the British to compete in foreign trade. Union wages, the subsidizing of the idle, high taxes, the progressive disjoining of production from distribution made it

[6] *Ibid.*, p. 52.

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more and more difficult to sell goods abroad. Domestic inflation and the appropriation of foreign investments reduced Britain's position as financier in the world.

Then the Labour Party came to power in 1945. They were quickly faced with mounting deficits in foreign trade—beginning to be referred to by then as a "dollar shortage." The "dollar shortage" was, of course, a result of governmental policy. The government was trying to distribute what it did not have in hand to pass out. It inflated the currency, supported higher wages, increased services provided without charge, subsidized basic goods, fixed prices below what they would have been in the market, and then tried to supplement the goods and services available from abroad without giving a *quid pro quo* for these. "Dollar shortage" is a convenient shorthand term for the notion that the United States ought to subsidize Britain.

How the contradictions worked out in practice have been described by Bertrand de Jouvenel. "The incomes of British private citizens, taken as a whole, were, in 1945, seventy-five per cent above the 1938 level. But it was far from the case that there was on offer to buyers a seventy-five per cent increase of goods and services! . . ." On the contrary, "the actual position in 1945 was that a seventy-five per cent increase in incomes was matched by a fourteen per cent diminution in consumable goods and services. . . ."[7]

In the free market, this disparity would have been closed by rising prices. But the government did not allow this to take place. Instead, it maintained price controls and rationing. In consequence, prices remained comparatively low for such things as food, clothing, such shelter as could be had, and electricity. The British people were able to spend a much smaller percentage of their incomes for such necessities, compared, say, with Americans. As a result, "British purchasing power . . . overflows wherever it can. Expenditure on drink rose to 238 per cent of what it had been before the war, on tobacco to 340 per cent."[8] Much of this income was spent on goods that were imported, such as tobacco.

More of the Same

Since government action had produced the conditions in which such ironic results occurred, the logical course would have been to change the policies: stop the in-

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[7] Bertrand de Jouvenel, *Problems of Socialist England* (London: Batchworth Press, 1949), J. F. Huntington, trans., p. 107.

[8] *Ibid.*, p. 173.

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flation, end the rationing, remove the price controls, and so forth. To have done so, of course, might have entailed the admission of error by politicians, a general phenomenon without precedent in popularly elected governments. It would certainly have meant the abandonment of much of the surge toward socialism.

Instead of admitting it was to blame, the government turned more of its force on the British people. The government acted as if the people were to blame. They should not spend the money in the way they did. They should not buy so much that could otherwise be sold to foreigners, nor consume so much that had to be bought from abroad. One writer describes the increased use of force in this way:

> . . . Whilst appeals for higher production rang in their ears, the public found, in Dalton's autumn budget of 1947, cigarettes rising . . . in price "in a deliberate drive to cut smoking by a quarter." "And smoke your cigarettes to the butts," said the Chancellor, "it may even be good for your health." American films stopped arriving in Britain when a seventy-five per cent import duty was imposed, and cinemas began to empty. Timber and petrol imports were cut, so newspapers shrank back to four pages and the basic petrol ration was abolished, although anyone living more than two miles from public transport could draw a supplementary allowance. Foreign travel was suspended and public dinners dwindled into silence. Clothing coupons were cut, and there seemed to be less food than there had ever been since the beginning of the war. It became a criminal offense to switch a fire on during the summer months.[9]

These measures were accompanied by efforts to increase production. "Much of the wartime direction of manpower was revived. . . . Under the Control of Engagements Order, which went into effect in October [1947], new employment could be secured only through the exchanges. Applicants would be advised to go into priority industries and under some circumstances would be directed to do so. . . . In November an order required registration of all the unemployed and those in trades considered non-essential — football pools, amusement arcades, night clubs, and the like. By these measures it was hoped to draw into industry a million additional workers."[10]

Other Drastic Measures to Close the "Dollar Gap"

Even this combination of Draconian measures did not close the

[9] Cooper, *op. cit.*, p. 52.

[10] Alfred F. Havighurst, *Twentieth Century Britain* (New York: Harper and Row, 1962, 2nd ed.), p. 402.

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"dollar gap." As a matter of fact, once independent Britons had gone hat in hand to the United States asking for a large extension of credit, the delegation having been headed by Lord John Maynard Keynes. They were granted 3¾ billions of dollars which was supposed to last for several years. Actually, however, the deficit was so great in 1947 that the amount of credit available could hardly cover it. In 1948, Britain was granted nearly one billion additional dollars under the Marshall Plan. Americans were led to believe at the outset that aid to Britain was for the purpose of enabling that country to recover from the war. Yet, it should be clear that for the several years following World War II the British were not simply having difficulty recovering from the war. Matters grew much worse after a couple of years of socialism than they had been during the war. The British were caught in the toils of their own government, at the behest of a majority of the electorate. They were struggling with might and main against the disabling impact of socialism. The United States was not helping Britain recover from the war; it was subsidizing socialism. By subsidizing socialism, the United States government helped the Labour government to survive a few years, while concealing from the British people, as well as from other peoples of the world, the full extent of the debacle.

Widespread Demoralization and Corruption

Socialism in England did not simply wreck the economy; the efforts which had these results had other and undesirable side effects. Among these was a widespread demoralization and corruption of some portion of the populace. The British have long enjoyed a high repute for obedience to the law. They have usually been exemplary citizens in contrast with the peoples of some continental countries, where evasion of the law is so common as to be nearly universal. Socialism changed things in Britain, or let loose something in the British character that had been more restrained theretofore. In 1937, there had been only 266,265 indictable offenses; the number had jumped to 522,684 by 1948. "In 1951, cases of violence against the person, which had soared steadily since the war, were two and a half times more than in 1938, and criminals, it seemed, were three times more vilely sexual."[11] Another writer describes the development in this way, saying that since 1945 the "public have increasingly devoted themselves to the evasion of the

[11] Hughes, *op. cit.*, p. 102.

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law and to operations upon the black markets. Contempt for authority has increased; class consciousness has become more acute; cynicism regarding corruption in public life more prevalent; personal and class irresponsibility more in evidence; gambling practices more widespread."[12]

However elegantly the rationale for socialism may be expressed, it does not succeed for long in obscuring its true nature from the citizenry, or some portion of them. Socialism is a plan for the use of force, for confiscation, for taking from some to give to others, for disturbing or changing the character of relations among people. When people find themselves thwarted by deprivations and restrictions attendant upon such programs, they turn to the very methods government has more subtly been using in practice: theft and violence.

While the Labour government was turning such force as the government had on its own people, while the economy was being virtually wrecked, while the people were being demoralized, untoward events were taking place elsewhere in the world. Colonial peoples – or those who would speak for them – were clamoring for independence. International communism was on the move to fish in these troubled waters. Revolutionaries were preparing themselves for that destruction which they conceive to be their first task but which quite often proves the only one for which they have any adeptness. England, under the dubious tutelage of the United States and led by irresolute Labourites, was beginning its withdrawal from its former active role in the world. That, too, is part of the story of the fall of England. ◈

[12] John Jewkes, *The New Ordeal by Planning* (New York: St. Martin's Press, 1968), p. 204.

The next article in this series will continue to describe "The Fall of England."

IDEAS ON LIBERTY

Montesquieu

There are means to prevent crimes,
and these means are punishments;
there are means to reform manners,
and these means are "good examples."

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ROGER DONWAY

The Intellect in Utopia

IN THE DREAMS of Western statists, there exists a fabulous land where the government regulates property to the maximum advantage of mankind, where every individual fulfills his highest potential, and the intellectual atmosphere quivers with exhilerating debate. It is a pleasant picture, no doubt, as dreams are supposed to be. But before one's reveries reach the point of legal enactment, other considerations become germane, and hardest of all, one must ask: Is it possible?

That question apparently never bothers the statists, for their ideas persist untroubled though a swath of economic disaster follows them around the world. And though the creative mind withers in their footsteps, these dreamers see no connection.

For any objective observer, however, their economic illusions have been well and often dispelled, by theory and practice. Today, it would take an act of outright evasion to claim that socialism has worked. But the contradictions of their cultural vision are demonstrated less often. Indeed, since the advent of Sputnik, one is more likely to hear that it is free societies which are deficient in mobilizing intellectual resources, though the speaker usually mumbles something about the sacrifices which freedom merits.

True libertarians should not, I think, accept this niggardly defense; they have at hand a far more potent thesis: that free intellectual debate, and the intellectual growth it nourishes, are in fact utterly dependent on economic freedom. The Sputnik-worshippers notwithstanding, man's intellectual progress is the fruit and the reward of economic liberty.

The reasons supporting such a

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conclusion are not unduly tortuous. The activities protected by so-called "intellectual rights," speech, assembly, press, and petition, inevitably involve the disposal of economic goods, sometimes very large amounts, printing presses and television studios, sometimes only a place to stand. Life itself requires that.

This does not imply the dependence of intellectual freedom on the *possession* of economic means, the old "what good is the right to express yourself if you can't afford a mimeograph" argument.

Intellectual Property and Political Priorities

What I am suggesting is that because certain intellectual *activities* depend on the disposal of economic goods, the right to those activities depends on the right to dispose of property. Intellectual freedom depends on economic *rights* because it is a species of economic rights. It is a particular way of disposing of property.

For this same reason, one cannot have economic rights where no intellectual rights exist. If one may dispose of property as he will, he may dispose of it in the form of speeches, printings, or mass meetings, and the curtailment of these is equally the curtailment of an economic process.

Thus, when a state becomes the sole proprietor, men and their activities, including intellectual activities, live or die by the permission and pleasure of government officials. In suppression, at least, he who controls the body, controls the mind.

The Soviet Union, for instance, has recently dealt with hundreds of dissenting intellectuals not only by refusing to publish their work, but also by depriving them of their jobs and apartments. Could even the most dedicated statist say the former was an act of suppressing dissent, while the latter was merely economic activity?

This in turn suggests the existence of a more subtle connection between thought and production. The free market presents men with an enormous range of diverse demand. There is, or can be, a market for virtually everything, innovations, new products, new styles. But when the commands of a small group become very nearly final, far fewer people will make the effort to think in ways unacceptable to those in command. We know already the conforming pressure of simple dependence; it is not hard to guess what the effects of nationally unified economic power will be.

Of course, it might be objected that a planned economy could do by decree what the free market does now: provide for intellectual

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debate and a wide diversity of opinion, allowing people to actualize their ideas and communicate them.

Theoretically, this does seem possible, but it does not happen, and there is considerable encouragement for it not to happen. First, because every economy must deal with its inability to satisfy all potential for consumption; some desires must go unfulfilled. Hence, socialist countries committed to a "decent" standard of living for their people rarely find much left over for basic research, and usually less for the humanities and social sciences.

In current terms, then, it is a question of priorities; in an older lingo, a question of who gets what. To solve this problem, "liberal" economists vex themselves with cost-benefit analyses, but generally summarize with the platitudinous assurance that those "in the field" will know who and what deserve support. If ever there were a prescription for an ingrown culture, that is surely it.

And in view of such assurances, it is interesting to remember that the two largest research and development projects yet undertaken by governments have become anathema to precisely those "liberals" who now cry: All R&D to the government agencies. The atomic bomb, the Manhattan project, they consider to be mankind's greatest stride toward hell, while the space program has come in for nearly universal condemnation as a vast misallocation of resources. Why do they assume future government projects will be more to their liking, unless they expect to do the deciding?

Which may be fine for them, but less pleasant for everyone else. Commissions, however prestigiously staffed, are notoriously narrow-minded. Ewart Milne, responding to a *London Times* report that young poets were protesting the Establishmentarian outlook of the Arts Council, said:

> . . . the Arts Council's embrace would be likened by some of us elder poets to the kiss of death. The Arts Council . . . supports the kind of art, including poetry, that is acceptable on a broad basis to the Establishment. This is bound to be so in any field where state subsidy is of the essence.

The Problem of Innovation

What then of the unfashionable artist, dissenting scientist, innovating experimenter? He faces only the terrible hauteur of those who are both fashionable and powerful. In the United States, the problems of innovation under planning can best be seen in the field of technical research and development, which is almost 60 per cent government sponsored.

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The basic justification for sponsoring R&D under a government of limited mandate is that when legislative and executive personnel require certain information and material, they may purchase it on the market as anyone else would, by contracting with scientists and engineers. Under this arrangement, the government is paying for the product of research and not for researching as such. Thus, it seems reasonable to require statements from those who seek these contracts, telling us what our seventeen billion dollars a year is being spent to acquire.

But by committing scientists to a definite plan, we may be tying them, perhaps for years, to programs which may no longer interest them, or which may be tangential to some new insight more worthy of support. The "solution" sometimes suggested is for the bureaus to *pretend* they are using a "projects criteria," but to allow such broadly drawn plans as will, in effect, convert the contract into a gift of patronage, the prospectus remaining principally as a sop for the mercenary public.

Experience Abroad

But in the United Kingdom, where something more like a back-the-man approach to subsidized creativity has been tried, the system has come in for considerable criticism, and back-the-project alternatives have been suggested. As one commentator said:

> In Britain, the traditions of "pure research" are deeper, and the financing of research is more insulated from the needs of government departments or civilian technology, and therefore social needs. This may protect the pursuit of knowledge from corruption, but it does little else for society as a whole.

More pertinently, such operations mark the return to a feudal conception of government. It is not surprising, then, that government patronage has proved no more liberating than aristocratic patronage. The *Economist* has written:

> Society will demand that those for whom it is paying should observe the general tenor of opinion in that society. In demanding subsidies as a right, those who run [the National Theater] have to realize, too, that respect for their audiences' prejudices will be imposed on them as a duty.

In Russia, a country of extreme centralized planning, the problem has reached more drastic conclusions. Artistic innovation, of course, is treated as a form of subversion. But even in the scientific sphere, where innovation is essential to progress, it is scarcely a trickle. Though they innovate largely through controlled, and

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hence predictable, imitation of the West, they nevertheless look upon changes with mixed emotions. Bureaucracy and the risks of creativity are simply incompatible. And this has proved true not only in the management field, but also in the design stage, and even at the central planning level.

Freedom from Planners

But if the fate of innovation is thus precarious under a planned economy, the fate of dissent is nothing less than perilous. Milton Friedman has observed that we are likely to have more freedoms if we are able only to endorse them or reject them per se, and are not allowed to decide on individual cases. This seems perfectly true, and it applies with even greater force to a planned economy.

First of all, a planned economy can never endorse freedoms per se. A free economy says: You may speak (or publish, or do whatever), but you must acquire the means to do so. In a planned economy, such permission is vacuous unless the government is also willing to subsidize the action. And since no economy could provide the means to actualize every desire, a planned economy *must* discriminate, must decide cases, either individually or generically.

Secondly, since a planned economy has to subsidize activities, those activities will have to be desired considerably rather than merely tolerated.

Currently, in this country, we have dissension which is vigorous and, in large measure, free. Even most of the dissenters' targets support their right to denounce society, and the right of institutions to support them for that purpose. But if their magazines, schools, and foundations were owned by the government, supported by their targets' taxes, out of a limited "culture" budget, there would be much talk of priorities, and the dissenters would be less well known. Gadflies of the right and left would find their funds in low supply whenever the majority did not wish to feel their bite, or whenever their proddings displeased an agency, administration, or subcommittee. And that would be too bad, for in Milton's adage, "trial is what purifies us, and trial is by what is contrary."

Today, in Russia, intellectuals are re-learning the lesson of the *Areopagitica:* perfected men do not need opposition. The moderate sufferance which Khrushchev allowed for a few years, as a tool in his power struggles, has been brutally revoked. In response, some Russian writers have insisted that freedom of expression is a constitutional right, not an

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administrative privilege. They have not seen that this is impossible in a planned economy. When the state owns all the publishing houses, the censor and the editor merge, and the strictures of the former become the aesthetics of the latter.

Such is the fate of the mind in utopia. Not in its first step perhaps, nor in its hundredth, but in its ultimate logic and basic principles. First comes the bureaucracy, the limited funds, the priorities, then the dissent, the suppression, and the jails. It is a logical road which we are well along; and if we refuse to recognize where we are going, we shall follow it to the end. ◈

IDEAS ON LIBERTY

Essential Inconsistency

THE WEAK POINT of the socialistic ideal is that it is a dogmatic or authoritative creed and encourages enthusiasts who hold it to think lightly of individual freedom, and suggests the very dubious idea that in a democracy the wish of the people may often be overruled for the good of the people. The ideal of democracy, in short, is government for the good of the people, by the people, and in accordance with the wish of the people; the ideal of collectivism is government for the good of the people by experts, or officials who know, or think they know, what is good for the people better than either any non-official person or than the mass of the people themselves. Each of these two ideals contains something of truth, but each of these ideals may sooner or later clash with each other. This conflict may take various forms. But beliefs marked by essential inconsistency are certain to give rise to most serious and, it may be, very practical and embittered dissension. . . .

The inconsistency between democracy and socialism will never be fully recognized until earnest socialists force upon the people some law which, though in conformity with socialistic principles, imposes some new burden upon the mass of the voters.

A. V. DICEY, *Law and Opinion in England* (1914)

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The Right to Health

THOMAS S. SZASZ, M.D.

THE CONCEPT that medical treatment is a right rather than a privilege has gained increasing acceptance during the past decade.[1] Its advocates are no doubt motivated by good intentions; they wish to correct certain inequalities existent in the distribution of health services in American society.

The desire to improve the lot of less fortunate people is laudable. Indeed, I share this desire. Still, unless all inequalities are considered inequities – a view clearly incompatible with social organization and human life as we now know it – two important questions remain. First, which inequalities should be considered inequities? Second, what are the most appropriate means for minimizing or abolishing the inequalities we deem "unjust"? Appeals to good intentions are of no help in answering these questions.

There are two groups of people whose conditions with respect to medical care the advocates of a right to treatment regard as especially unfair or unjust, and whose situations they seek to ameliorate. One is the poor, who need ordinary medical care; the other group is composed of the inmates of public mental hospitals, presumably in need of psychiatric care. The

[1] "Concisely stated, the standard [of law as public policy] is that every individual has a right to treatment, a right to good treatment, a right to the best treatment." B. S. Brown, "Psychiatric Practice and Public Policy," *American Journal of Psychiatry*, August, 1968, pp. 142-43.

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proposition, however, that poor people ought to have access to more, better, or less expensive medical care than they now do and that people in public mental hospitals ought to receive better psychiatric care than they now do, pose two quite different problems. I shall, therefore, deal with each separately.

Not by Force Alone

The availability of medical services for a particular person, or group of persons, in a particular society depends principally upon the supply of the services desired and the prospective user's power to command these services. No government or organization — whether it be the United States Government, the American Medical Association, or the Communist Party of the Soviet Union — can provide medical care, except to the degree it has the power to control the education of physicians, their right to practice medicine, and the manner in which they dispose of their time and energies. In other words, only individuals can provide medical treatment for the sick; institutions, such as the Church and the State, can promote, permit, or prohibit certain therapeutic activities, but cannot by themselves provide medical services.

Social groups wielding power are notoriously prone, of course, to prohibit the free exercise of certain human skills and the availability of certain drugs and devices. For example, during the declining Middle Ages and the early Renaissance, the Church repeatedly prohibited Jewish physicians from practicing medicine and non-Jewish patients from seeking the former's services. The same prohibition was imposed by the Government of Nazi Germany. In the modern democracies of the free West, the State continues to exercise its prerogative to prohibit individuals from engaging in certain kinds of therapeutic activities. This restrictive function of the State with respect to medical practice has been, and continues to be, especially significant in the United States.

Without delving further into the intricacies of this large and complex subject, it should suffice to note that our present system of medical training and practice is far removed from that of laissez-faire capitalism for which many, especially its opponents, mistake it. In actuality, the American Medical Association is not only an immensely powerful lobby of medical-vested interests — a force that liberal social reformers generally oppose — but it is also a state-protected monopoly, in effect, a covert arm of the government —

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a force that the same reformers ardently support.[2] The result of this alliance between organized medicine and the American Government has been the creation of a system of education and licensure with strict controls over the production and distribution of health care, which leads to an artificially-created chronic shortage of medical personnel. This result has been achieved by limiting the number of students to be trained in medicine through the regulation of medical education and by limiting the number of practitioners through the regulation of medical licensure.

Supply and Demand

A basic economic concept is that when the supply of a given service is smaller than the demand for it, we have a seller's market. This is obviously beneficial for the sellers – in this case, the medical profession. Conversely, when the supply is greater than the demand, we have a buyer's market. This is beneficial for the buyers – in this case, the potential patients. One way – and according to the supporters of a free market economy, the best way – to help buyers get more of what they want at the lowest possible price is to increase the supply of the needed product or service. This would suggest that instead of government grants for special Neighborhood Health Centers and Community Mental Health Centers, the medical needs of the less affluent members of American society could be better served simply by repealing laws governing medical licensure. As logical as this may seem, in medical and liberal circles this suggestion is regarded as hairbrained, or worse.[3]

Since medical care in the United States is in short supply, its availability to the poor may be improved by redistributing the existing supply, by increasing the supply, or by both. Many individuals and groups clamoring for an improvement in our medical care

[2] Joseph S. Clark, Jr., the then Mayor of Philadelphia, defined a "liberal" as "one who believes in utilizing the full force of government for the advancement of social, political, and economic justice at the municipal, state, national, and international levels." Clark, "Can the Liberals Rally?" *The Atlantic Monthly*, July, 1953, p. 27.

[3] For an excellent discussion of the deleterious effects on the public of professional licensure requirements, see Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962). Friedman correctly notes that the justification for enacting special licensure provisions, especially for regulating medical practice, "is always said to be the necessity of protecting the public interest. However, the pressure on the legislature to license an occupation rarely comes from the members of the public. . . . On the contrary, the pressure invariably comes from members of the occupation itself." p. 140.

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system fail to scrutinize this artificially created shortage of medical personnel and to look to a free market economy for restoration of the balance between demand and supply. Instead, they seek to remedy the imbalance by redistributing the existing supply — in effect, by robbing Peter to pay Paul. This proposal is in the tradition of other modern liberal social reforms, such as the redistribution of wealth by progressive taxation and a system of compulsory social security. No doubt, a political and economic system more socialistic in character than the one we now have could promote an equalization in the quality of the health care received by rich and poor. Whether this would result in the quality of the medical care of the poor approximating that of the rich, or vice versa, would remain to be seen. Experience suggests the latter. For over a century, we have had our version of state-supported psychiatric care for all who need it: the state mental hospitals system. The results of this effort are available for all to see.

The "Right" to Psychiatric Treatment[4]

Most people in public mental hospitals do not receive what one would ordinarily consider treatment. With this as his starting point, Birnbaum has advocated "the recognition and enforcement of the legal right of a mentally ill inmate of a public mental institution to adequate medical treatment for his mental illness."[5]

Although it defined neither "mental illness" nor "adequate medical treatment," this proposal was received with enthusiasm in both legal and medical circles.[6] Why? Because it supported the myth that mental illness is a medical problem that can be solved by medical means.

The idea of a "right" to mental treatment is both naive and dangerous. It is naive because it considers the problem of the publicly hospitalized mental patient as a medical one, ignoring its educational, economic, moral, religious, and social aspects. It is dangerous because its proposed remedy creates another problem — compul-

[4] This part of the article is adapted, with minor modifications and additions, from my book, *Law, Liberty and Psychiatry* (New York: Macmillan, 1963), pp. 214-16. My objections to the concept of a "right to mental treatment," formulated in 1962, seem to me as valid today as they were then.

[5] M. Birnbaum, "The Right to Treatment," *American Bar Association Journal* 46:499 (1960).

[6] For example, see T. Gregory, "A New Right" (Editorial), *American Bar Association Journal* 46:516 (1960); and D. Janson, "Future Doctors Chide the A.M.A., Deplore Stand That Health Care Is Not a Right," *The New York Times*, December 15, 1967, p. 21.

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sory mental treatment – for in a context of involuntary confinement the treatment, too, shall have to be compulsory.

Hailing the right to treatment as "A New Right," the editor of *The American Bar Association Journal* compared psychiatric treatment for patients in public mental hospitals with monetary compensation for the unemployed.[7] In both cases, we are told, the principle is to help "the victims of unfortunate circumstances."[8]

But things are not so simple. We know what is unemployment, but we are not so clear regarding the definition of mental illness. Moreover, a person without a job does not usually object to receiving money; and if he does, no one compels him to take it. The situation for the so-called mental patient is quite different. Usually he does not want psychiatric treatment. Yet, the more he objects to it, the more firmly society insists that he must have it.

Of course, if we *define* psychiatric treatment as "help" for the "victims of unfortunate circumstances," how can anyone object to it? But the real question is twofold: What is meant by psychiatric help and what should the helpers do if a victim refuses to be helped?

[7] Gregory, *op. cit.*, p. 516.
[8] *Ibid.*

From a legal and sociologic point of view, the only way to define mental illness is to enumerate the types of behavior psychiatrists consider to be indicative of such illness. Similarly, we may define psychiatric treatment by listing the procedures which psychiatrists regard as instances of such therapy. A brief illustration should suffice.

Levine lists 40 methods of psychotherapy.[9] Among these, he includes: physical treatment, medicinal treatment, reassurance, authoritative firmness, hospitalization, ignoring of certain symptoms and attitudes, satisfaction of neurotic needs, and bibliotherapy. In addition, there are physical methods of psychiatric therapy, such as the prescription of sedatives and tranquilizers, the induction of convulsions by drugs or electricity, and brain surgery.[10] Obviously,

[9] M. Levine, *Psychotherapy in Medical Practice* (New York: Macmillan, 1942), pp. 17-18.

[10] The following is a curious, though by no means rare, example of the kind of thing that passes nowadays for mental treatment. In Sydney, Australia, "a former tax inspector on trial for murdering his sleeping family was found not guilty on the grounds of mental illness. . . . A psychiatrist told the court yesterday that Sharp, on trial for killing his wife and two children, had apparently cured his mental illness when he shot himself in the head." *New York Herald-Tribune* (Paris), July 5, 1968, p. 5. Murder is here considered an "illness," and a brain injury a "treatment" and indeed

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the term "psychiatric treatment" covers everything that may be done to a person under medical auspices – and more.

In relation to psychiatric treatment, then, the most fundamental and vexing problem becomes: How can a "treatment" which is compulsory also be a right? As I have shown elsewhere,[11] the problem posed by the neglect and mistreatment of the publicly hospitalized mentally ill is not derived from any insufficiency in the treatment they receive, but rather from the basic conceptual fallacy inherent in the notion of mental illness and from the moral evil inherent in the practice of involuntary mental hospitalization. Preserving the concept of mental illness and the social practices it has justified and papering over its glaring cognitive and ethical defects by means of a superimposed "right to mental treatment," only aggravates an already tragically inhuman situation.

As my foregoing remarks indicate, I see two fundamental defects in the concept of a right to treatment. The first is scientific and medical, stemming from unclarified issues concerning what constitutes an illness or treatment and who qualifies as a patient or physician. The other is political and moral, stemming from unclarified issues concerning the differences between rights and claims.

Unclarified Issues

In the present state of medical practice and popular opinion, definitions of the terms "illness," "treatment," "physician," and "patient" are so imprecise that a concept of a right to treatment can only serve to further muddy an already very confused situation. One example will illustrate what I mean.

One can "treat," in the medical sense of this term, only a disease, or, more precisely, only a person, now called a "patient," suffering from a disease. But what is a disease? Certainly, cancer, stroke, and heart disease are. But is obesity a disease? How about smoking cigarettes? Using heroin or marijuana? Malingering to avoid the draft or collect insurance compensation? Homosexuality? Kleptomania? Grief? Each one of these conditions has been declared a disease by medical and psychiatric authorities with im-

a "cure" for it. In the Brave New World where treatment is a right, will every murderer have the right to a brain injury – if not by means of a gun, then perhaps by that of a leucotome?

[11] See T. S. Szasz, *The Myth of Mental Illness* (New York: Hoeber-Harper, 1961); *Law, Liberty and Psychiatry* (New York: Macmillan, 1963); and *Psychiatric Justice* (New York: Macmillan, 1965).

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peccable institutional credentials. Furthermore, innumerable other conditions, varying from bachelorhood and divorce to political and religious prejudices, have been so termed.

Similarly, what is treatment? Certainly, the surgical removal of a cancerous breast is. But is an organ transplant treatment? If it is, and if such treatment is a right, how can those charged with guaranteeing people the protection of their right to treatment discharge their duties without having access to the requisite number of transplantable organs? On a simpler level, if ordinary obesity, due to eating too much, is a disease, how can a doctor treat it when its treatment depends on the patient eating less? What does it mean, then, that a patient has a right to be treated for obesity? I have already alluded to the facility with which this kind of right becomes equated with a societal and medical obligation to deprive the patient of his freedom -- to eat, to drink, to take drugs, and so forth.

Who is a patient? Is he one who has a demonstrable bodily illness or injury, such as cancer or a fracture? A person who complains of bodily symptoms, but has no demonstrable illness, like the so-called "hypochondriac"? The person who feels perfectly well but is said to be ill by others, for example, the paranoid schizophrenic? Or is he a person, such as Senator Barry Goldwater, who professes political views differing from those of the psychiatrist who brands him insane?

Finally, who is a physician? Is he a person licensed to practice medicine? One certified to have completed a specified educational curriculum? One possessing certain medical skills as demonstrated by public performance? Or one claiming to possess such skills?

It seems to me that improvement in the health care of poor people and those now said to be mentally ill depends less on declarations about their rights to treatment and more on certain reforms in the language and conduct of those professing a desire to help them. In particular, such reforms must entail refinements in the use of medical concepts, such as illness and treatment, and a recognition of the basic differences between medical intervention as a service, which the individual is free to seek or reject, and medical intervention as a method of social control, which is imposed on him by force or fraud.

"Rights" versus "Claims"

The second difficulty which the concept of a right to treatment poses is of a political and moral

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nature. It stems from confusing "rights" with "claims," and protection from injuries with provision for goods or services.

For a definition of right, I can do no better than to quote John Stuart Mill: "I have treated the idea of a right as *residing in the injured person and violated by the injury.* . . . When we call anything a person's right, we mean that he has a valid claim on society to protect him in the possession of it, either by force of law, or by that of education and opinion. . . . To have a right, then, is, I conceive, to have something which *society ought to defend me in the possession of.*"[12]

This helps us distinguish rights from claims. Rights, Mill says, are "possessions"; they are things people have by nature, like liberty; acquire by dint of hard work, like property; create by inventiveness, like a new machine; or inherit, like money. Characteristically, possessions are what a person *has,* and of which others, including the State, can therefore deprive him. Mill's point is the classic libertarian one: The State should protect the individual in his rights. This is what the Declaration of Independence means when it refers to the inalienable rights to life, liberty, and the pursuit of happiness. It is important to note that, in political theory, no less than in everyday practice, this requires that the State be strong and resolute enough to protect the rights of the individual from infringement by others and that it be decentralized and restrained enough, typically through federalism and a constitution, to insure that it will not itself violate the rights of its people.

In the sense specified above, then, there can be no such thing as a right to treatment. Conceiving of a person's body as his possession – like his automobile or watch (though, no doubt, more valuable) – it is just as nonsensical to speak of his right to have his body repaired as it would be to speak of his right to have his automobile or watch repaired.

It is thus evident that in its current usage and especially in the phrase "right to treatment" the term "right" actually means claim. More specifically, "right" here means the recognition of the claims of one party, considered to be *in the right,* and the repudiation of the claims of another, opposing party, considered to be *in the wrong,* the "rightful" party having allied itself with the interests of the community and having enlisted the coercive pow-

[12] J. S. Mill, "Utilitarianism" [1863], in M. Learner, ed., *Essential Works of John Stuart Mill* (New York: Bantam Books, 1961). p. 238.

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ers of the State on his behalf. Let us analyze this situation in the case of medical treatment for an ordinary bodily disease. The patient, having lost some of his health, tries to regain it by means of medical attention and drugs. The medical attention he needs is, however, the property of his physician, and the drug he needs is the property of the manufacturer who produced it. The patient's right to treatment thus conflicts with the physician's right to liberty, that is, to sell his services freely, and the pharmaceutical manufacturer's rights to his own property, that is to sell his products as he chooses. The advocates of a right to treatment for the patient are less than candid regarding their proposals for reconciling this proposed right with the right of the physician to liberty and that of the pharmaceutical manufacturer to property.[13]

Nor is it clear how the right to treatment concept can be reconciled with the traditional Western concept of the patient's right to choose his physician. If the patient has a right to choose the doctor by whom he wishes to be treated, and if he *also* has a right to treatment, then, in effect, the doctor is the patient's slave. Obviously, the patient's right to choose his physician cannot be wrenched from its context and survive; its

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[13] The proposition that sick people have a special claim to the protection of the State — in other words, that they be allowed to use the coercive apparatus of State to expropriate the fruits of the labor of others — is a part of a much larger theme, namely, the inevitable tendency in a society for each special interest group to enlist the powers of the State on its own behalf. In this connection, R. A. Childs has recently written: "Economically, the state uses its monopoly on expropriation of wealth to create political castes, or 'classes.' . . . Thus, today, we see the state being supported by businessmen who are being benefited by defense contracts and other state patronage, tariffs, subsidies, and special tax 'loopholes'; unions which are benefited by labor laws; farmers benefited by price supports, and other groups benefited by other state-granted privileges. . . . Of course, almost every group is harmed more by the benefits heaped on other groups than it is helped by its own special privileges, but since the state has gotten people to believe that the only valid approach to problems is to increase, rather than to decrease, state powers, no one mentions the possibility of benefiting each group by removing the special privileges of all other groups. Instead, each group supports the state, to benefit itself at the expense of all other groups." R. A. Childs, Jr., "Autarchy and the Statist Abyss," *Rampart Journal*, Summer, 1968, pp. 4-5.

Long ago, Tocqueville had perceived this phenomenon and warned of its dangerous consequences for individual liberty. "The government having stepped into the place of Divine Providence in France it was but natural that everyone, when in difficulties, invoked its aid." Alexis de Tocqueville, *The Old Regime and the French Revolution* [1856] (Garden City, N. Y.: Doubleday-Anchor, 1955), p. 70.

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corollary is the physician's right to accept or reject a patient, except for rare cases of emergency treatment. No one, of course, envisions the absurdity of physicians being at the personal beck and call of individual patients, becoming literally their medical slaves, as some had been in ancient Greece and Rome.

Bureaucratic Decisions and Care

The concept of a right to treatment has a different, much less absurd but far more ominous, implication. For just as the corollary of the individual's freedom to choose his physician is the physician's freedom to refuse to treat any particular patient, so the corollary of the individual's right to treatment is the denial of the physician's right to reject, as a patient, anyone officially so designated. This transformation removes, in one fell swoop, the individual's right to define himself as sick and to seek medical care as he sees fit, and the physician's right to define whom he considers sick and wishes to treat; it places these decisions instead in the hands of the State's medical bureaucracy.

As a result, bureaucratic care, as contrasted with its entrepreneurial counterpart, ceases to be a system of healing the sick and instead becomes a system of controlling the deviant. Although this outcome seems to be inevitable in the case of psychiatry (in view of the fact that ascription of the label "mental illness" so often functions as a quasi-medical rhetoric concealing social conflicts), it need not be inevitable for nonpsychiatric medical services. However, in every situation where medical care is provided bureaucratically, as in communist societies, the physician's role as agent of the sick patient is necessarily alloyed with, and often seriously compromised by, his role as agent of the State. Thus, the doctor becomes a kind of medical policeman – at times helping the individual, and at times harming him.

Returning to Mill's definition of a "right," one could say, further, that just as a man has a right to life and liberty, so, too, has he a right to health and, hence, a claim on the State to protect his health. It is important to note here that the right to health differs from the right to treatment in the same way as the right to property differs from the right to theft. Recognition of a right to health would obligate the State to prevent individuals from depriving each other of their health, just as recognition of the two other rights now prevents each individual from depriving every other individual of liberty and property. It would also

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obligate the State to respect the health of the individual and to deprive him of that asset only in accordance with due process of law, just as it now respects the individual's liberty and property and deprives him of them only in accordance with due process of law.

As matters now stand, the State not only fails to protect the individual's health, but actually hinders him in his efforts to safeguard his own health, as in the case of its permitting industries to befoul the waters we drink and the air we breathe. The State similarly prohibits individuals from obtaining medical care from certain, officially "unqualified," experts and from buying and ingesting certain, officially "dangerous," drugs. Sometimes, the State even deliberately deprives the individual of treatment under the very guise of providing treatment.

Conclusion

The State can protect and promote the interests of its sick, or potentially sick, citizens in one of two ways only: either by coercing physicians, and other medical and paramedical personnel, to serve patients – as State-owned slaves in the last analysis, or by creating economic, moral, and political circumstances favorable to a plentiful supply of competent physicians and effective drugs.

The former solution corresponds to and reflects efforts to solve human problems by recourse to the all-powerful State. The rights promised by such a State – exemplified by the right to treatment – are not opportunities for uncoerced choices by individuals, but rather are powers vested in the State for the subjection of the interests of one group to those of another.

The latter solution corresponds to and reflects efforts to solve human problems by recourse to individual initiative and voluntary association without interference by the State. The rights exacted from such a State – exemplified by the right to life, liberty, and health – are limitations on its own powers and sphere of action and provide the conditions necessary for, but of course do not insure the proper exercise of, free and responsible individual choices.

In these two solutions we recognize the fundamental polarities of the great ideological conflict of our age, perhaps of all ages and of the human condition itself; namely, individualism and capitalism on the one side, collectivism and communism on the other.

There is no other choice. ◈

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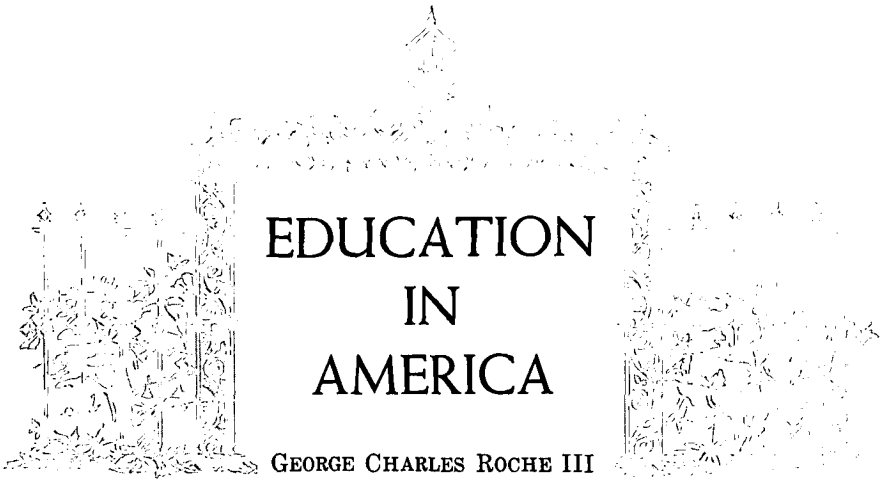

9. *Academic Freedom for What?*

PROFESSOR SIDNEY HOOK has quite justly criticized the great quantities of "sloppy rhetoric" poured forth on the subject of academic freedom. The overdiscussion of such a topic usually stems from chronic underdefinition, reflecting the painfully human trait of having the most to say on a subject when we are least sure what ought to be said.

Higher education is plagued by this lack of a workable definition for academic freedom, and this is rooted in a singular fact: *Never* has there been a formal statement of the relationship between the academic community and the rest of society. Is the academic community merely to teach our young? Or do we ask that it also discover new truths? Perhaps we also wish our teachers to serve as philosophers of the realm. In short, no lasting answer seems to have been given the questions: Should society decide what is taught in the grove academé? Should the academy decide society's course? Or, does some workable third alternative exist?

Perhaps the best means of getting at the relationship between the academy and society is to clar-

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ify what we have in mind when we discuss the education of the individual student. The student is the vital link between academy and society, since it is the student in whom both have a common stake. In the last analysis, we want one thing for the student: freedom — i.e., the achievement of that capacity for *internal* self-determination allowing him to become a whole man, his own man. How is this freedom to be achieved? It must be achieved through knowledge, through the development of a capacity for self-discipline, through an understanding of the obligations and privileges involved in life.

Freedom for the student surely cannot be attained without freedom for the teacher. Freedom to think, to challenge the common view on occasion, would therefore seem an absolute requirement if education is to achieve the full development of the individual student. Does this freedom to develop and state one's own views have no limitation? Many of those who discuss academic freedom insist that *any* restraint is unwarranted, since it interferes with a mysterious and ill-defined "universal dialogue." Others would insist that, while the freedom of *research* must be unlimited, society has a right to censor what its young people are taught. In effect, the teacher would be told, "Think what you like, but teach only what the majority approves."

Both of the above positions tend to be mere caricatures. Few actually advocate a literal freedom to teach *any* idea, however socially unacceptable it might be. An equally small number actually advocates a literal enforcement of censorship over the classroom teacher. The desirable norm lies somewhere between the two. Surely anyone qualified to teach the young should ideally already possess the inner freedom, the self-discipline, the necessary internal check of the truly civilized man, to maintain the standards of his ideas and values on such a high plane that parents should have no grounds for complaint. By the same token, parents should have sufficient confidence in the standards of teachers to allow them a free hand.

The trouble lies in the fact that many teachers no longer seem to operate within the framework of values constituting civilized behavior. Such teachers seem to have adopted the totally relative standards so damaging to modern society. Parents are not to be blamed for recognizing that teachers who themselves lack standards of value are ill-prepared to impart the proper values to the young. This may explain why some par-

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ents desire to censor the classroom offerings of the teacher.

Such a desire may be understandable, but it is unacceptable if freedom for student and teacher is our goal. Merely substituting one set of wrong ideas for another set, trading license for repression, will not produce the desired effect.

If the teacher is to lead the student on the high road to internal freedom, to his development as a unique person, he must be free himself; free to pursue his speculations, free to express the results of his findings. Such a teacher is more than an employee hired to teach the young. He becomes a seeker after truth, dedicated to explaining that truth to those who will follow. Academic freedom thus becomes an expression of sufficient confidence in the teacher to allow that process to operate.

Relativism

Still, the search for truth carries with it the assumption that truth *does* exist. The alleged "objective" approach of many present-day educators contains no such assumption. All ideas are to be presented to the student without that evil of evils, the "value judgment." Such relativism finally denies *all* values, thus destroying the framework of civilized value within which meaningful individual choice must be made. Christ, Socrates, and the other great teachers of history had at least two things in common: They distinguished between right and wrong; and they did not hesitate to announce that distinction to all who would listen. In short, they recognized a framework of values.

There is also another historical lesson to be learned on the necessity of values. Those societies denying the validity of a value framework have invariably proven to be societies on the decline. The Sophists who finally destroyed the Greeks serve as a graphic example.

Unfortunately, truth will not necessarily rise to a dominant position in a totally "objective" teaching situation. Teachers who fail to believe strongly enough in the existence of truth as a premise for their teaching often serve as the ideal foils of those who would "stack the deck" against the free choice of the individual. Witness the twentieth century history of Russia or Germany, where totalitarian control came as the aftermath of periods of so-called "free inquiry."

Ultimately, the teacher must be free to do his own thinking and the student must be free to choose what ideas he will accept or reject. But the whole process of orderly thought becomes impossible unless some framework exists for the

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process of thinking. A completely relativistic stance is doomed to endless internal contradiction. If, as a relativist, a man insists that one opinion is as good as another, what defense has he against a totally contradictory view? If all views are equally valid, one man's denial is as sound as another's affirmation. Such thinking can only "agree to disagree" in an endless (and pointless) discussion foredoomed never to reach a conclusion.

In a situation where "academic freedom" is so abused, it is small wonder that society finally balks at the prospect of the deforming educational process which results. Most men sense that freedom involves far more than the license to do as one pleases. Meaningful freedom has always implied responsibility, and responsibility demands self-control. Self-control presupposes guidelines within which the individual attempts to live in accord with accepted and acceptable standards. The denial of those standards and of the necessity for self-control in the name of "academic freedom" is as much a denial of true *freedom* for the individual as is an attempt to censor student and teacher in the classroom. Either way, genuine academic freedom suffers.

Much of the "sloppy rhetoric" on academic freedom to which Sidney Hook referred originates within the ranks of the "intellectual" community – authors, editors, critics, and scholars, many of whom tend to be enamored of their own company. This love affair is sufficiently ingrown that all too often these mutually congratulatory purveyors of "modern" thought have come to regard any criticism of their position as an assault upon "academic freedom." The strength of this delusion is verified by the spectacle of the many professors who seem to view themselves as part of an embattled nonconformist minority despite the fact that in many cases all the members of their respective departments share the same ideological position.

Outside Threats to Academic Freedom

The pressures on academic freedom originating outside the academy are sometimes exaggerated. Most men of good will are extremely reticent to lend their support to any thoroughgoing censorship over ideas on the campus. The danger to academic freedom is perhaps less likely to result from public concern over what is being taught on campus than from increased control of the purse strings by governmental and quasi-governmental agencies. This very real threat to academic freedom, especially in research, is

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rooted in the use of tax monies in the manipulation of higher education. This important matter will be further discussed a bit later in the context of public versus private financing of education. Let it suffice here to mention the serious threat of government control in higher education both directly, through subsidy of education with tax money, and indirectly, through corporate agencies holding government contracts.

Threats from Within

Though quick to complain of external threats to their academic freedom, professors seldom look to themselves, to the academic community itself, as the source of the trouble. As a case in point, consider the decline in standards which often has accompanied the mass production techniques of modern higher education:

> To want to extend the boundaries of knowledge, or to conserve the wisdom of ancestors, some faith in the importance of learning, and in a Good that is more than private gain, is required. That lacking, the teacher becomes a hired hand, paid to do a chore . . . The automobile-worker on the assembly line enjoys no special freedom; he has no duties which require a special freedom. And if the teacher willingly assists in the reduction of formal education to a mere degree-mill intended to keep young people very mildly occupied, as if they were in an inordinately expensive kindergarten, then he surely will lose his academic freedom. . . .
>
> Just what sort of academic freedom do these professor-employees expect? And just what sort do they deserve? What sacred trust are they guarding? Just how much do they themselves care about Truth? Some of them have on their shelves no books but a few free copies of textbooks; some of them talk, when they meet together, only of salaries and faculty scandals; some of them say that this state of affairs is a positive good, and look forward with relish to the demise of private foundations which, with intellectual snobbery, still cling to standards.[1]

Academic freedom is further endangered from within by the growing tendency to substitute slogans for thought. Examples of such slogans abound. Appeals for increased emphasis upon proper training of individuals and higher standards within education are often denounced by teacher and administrator alike as "undemocratic." Secure in tenure, many professors seem more irritated than stimulated by a student with an inquiring mind or a colleague who holds differing views. Nicholas Berdyaev might have been addressing himself to the American scene when he remarked: "With sorrow we must recognize the fact that freedom is dear only

[1] Russell Kirk, *Academic Freedom*, pp. 163, 177.

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to those men who think creatively. It is not very necessary to those who do not value thinking."[2]

With due allowance to the many creative thinkers and teachers throughout American education, the truth of Russell Kirk's severe indictment remains:

> Though they may go through the motions of "research," they care precious little about the duty to extend the boundaries of knowledge, and not very much about the duty to conserve the knowledge of our civilization. The humiliating pressure which many administrators endeavor to exert upon teachers to *publish* – to publish just anything, anywhere, for the sake of the record – or to draw up enormous committee-reports about trivialities suggests that both administrators and teachers are ignorant of the true nature of academic freedom and academic dignity. All the administrator wants is some tangible evidence of busy-work to present to his trustees or to the state legislature; all the teacher wants is some sham-proof of his liveliness of mind that may bring him a two-hundred-dollar increase in salary. How much freedom do such men have? And how much do they deserve?[3]

Political Activism

In addition to those who misinterpret academic freedom as a "freedom to do nothing," higher education is also faced with political activists who use their positions as a sanctuary from which politically motivated attacks can be launched against the rest of society. "Sanctuary" is a well-advised term. Such political activists never question the justice of their attacks, yet are the first to raise the cry of "academic freedom" over the inevitable reaction to their activity.

Learned Hand once remarked, "You cannot wear a sword beneath a scholar's gown." He was quite right. No one can simultaneously be advocate and scholar. Refusal to face this fact makes the political activist on the campus a primary offender against the academic freedom he constantly evokes.

Much of the student unrest on campus is directly traceable to faculty agitation, in which a privileged academic position is used to subvert the entire process. Such professors are often so busy in such causes that they neglect the very teaching and research which is the reason for the academic community's existence. Unless the teacher fulfills his duties to the system and convinces society he is discharging those duties, he can expect to lose the privileged base he has been granted. Academic freedom is not some irrevocable

[2] Nicholas Berdyaev, *The Realm of Spirit and The Realm of Caesar*, p. 110.
[3] Russell Kirk, *Academic Freedom*, p. 162.

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grant. If it is lost, we all suffer, because the process of creative thinking suffers as does the development of truly free, inner-directed students. But any right is doomed unless its inevitably accompanying responsibilities are discharged.

While the professor has every right to take part in politics on his own, the current tendency to use the academy as an arsenal and staging ground for political combat is both unwarranted and dangerous. Considering the enormous overextension of government in our society, we may expect that when the academy is willing to lend itself to indoctrination and activism rather than education, the end result will be political regulation of that indoctrination. The state will prove to be a poor guardian of academic freedom.

The need is great for the academic community to put its own house in order. The image and the fact of an intellectual community devoted to pursuing the truth must be renewed. Meanwhile, the number of genuine teachers and scholars quietly pursuing their proper function is the cement which still holds the system together, despite all the destructive forces at work upon it.

This community of scholars needs protection on two fronts: from those outside the academy who would destroy freedom through excessive regulation, and from those inside the academy who would destroy the system through license. Unless faculties can regulate themselves from within, they may rest assured they will be regulated from without.

The central question remains then, "Academic Freedom for What?" The answer is two-fold: the pursuit of truth; and the simultaneous responsibility for developing individual students so self-disciplined, so internally free as the result of their knowledge of civilized standards and human responsibilities, that the core of values constituting civilization will be consistently reflected in their behavior. That is the road to salvation for not only the academic community, but for everyone in society. In a word, academic freedom is the freedom to perform the task peculiar to proper education. When the academic community takes other roles unto itself, it does so at the dual risk of failing in its own function while tempting other elements in society to usurp and corrupt the educational function. ◈

The next article of this series will discuss "Revolt on the Campus."

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GARY NORTH

The Fallacy of "Intrinsic Value"

If people value something, it has value; if people do not value something, it does not have value; and there is no intrinsic about it.

RT. HON. J. ENOCH POWELL, M.P.

"IDEAS DIE HARD," says an old proverb. Even in an age of rapid change, such as our own, the slogans, clichés, and errors of earlier times seem to persist; it often seems that the truths that once brought peace, stability, and steady progress are the first things to be abandoned, while the errors persist undaunted. Henry Hazlitt once wrote of John Maynard Keynes that the true things he said were not new, and the new things he said were not true. Yet it is the new aspect of Keynes' "New Economics" that has fascinated today's guild of economists.

The triumph of the slogan is understandable. We are limited creatures. We cannot attain exhaustive knowledge of anything, and certainly not of everything. As a result, we find ourselves at the mercy of the expert; simultaneously, we live our day-to-day lives in terms of ideas that we cannot be continually re-examining. Some things must be accepted on faith or by experience; we have neither the time nor capacity to rethink everything we know. Still, no intelligent person dares to neglect the possibility that his opinion in some area or other may be open to question. At times it is vital that we reconsider a subject, especially if it is a barrier to clear thinking or effective action. If our error is in a realm of life in which we claim to be experts, or at least skilled amateurs, then the necessity of careful reasoning is exceptionally important. The persistence of some erroneous line of reasoning here, simply because this unexamined train of

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thought is familiar to us, can be disastrous.

Take, for example, the labor theory of value. Classical economics – by which we mean that body of economic thought which was in vogue from the time of Adam Smith (1770's) until the marginalist-subjective schools arose (1870's) – was confounded by the problem of value. It proposed a cause-and-effect relationship between human labor and value: abstract human labor (which itself was an abstract concept derived more from mechanics than human experience) was produced by laborers on their jobs; this abstract human labor was in some way embodied in the products of that labor, and this is the source of all value. Certain inescapable problems arose under this presupposition. Why did selling prices fail to correspond to the total payments made to labor? How did the phenomenon of profit appear? What was the origin of interest? On a more concrete level, why did an uncut diamond bring a higher price on the market than an intricate mechanism like a clock? They could explain the disparity of selling prices of jewels and selling prices of clocks in terms of supply and demand, but their labor theory of value never fitted into this explanation. It was an extraneous issue.

Contradictions of Marx

Karl Marx was the last major economist to hold to the labor theory. In this sense, he was the last of the great classical economists. He wanted to demonstrate that capitalism, by its own internal contradictions, was doomed to a final destruction. Unfortunately for Marx's predictions, what he regarded as a basic set of contradictions of capitalism was merely a set of contradictions in the reasoning of the classical economists. He confused a faulty explanation of the capitalist process with the actual operation of the capitalist system. Ironically, Marx fell into a pit which he always reserved for his enemies: he looked not at the empirical data as such, but at an interpretation of the data – not at the "substructure" of the society, but the ideological "superstructure." *Das Kapital* was published in 1867; by 1871, the marginalist assault had been launched by Karl Menger of Austria and W. S. Jevons of England. The labor theory of value which had undergirded Marx's whole analysis of capitalism was destroyed. When Böhm-Bawerk, the Austrian economist who was to gain fame as Menger's most rigorous disciple, offered his criticisms of Marx in 1884 (and again in 1896), it was clear (to non-Marxists, anyway) that the Marxian framework

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had gone down with the classical ship.[1]

What the new theory did was to reverse the cause-and-effect relationship of the classical school. The *value of labor* is derivative: it stems from the *value of labor's product*. This, in turn, is the outcome of supply and demand. People desire certain products; these products are not in unlimited supply in relation to the demand. Or, to put it another way, at zero price, some of the demand is left unsatiated. The value of the product is not derived from labor; the reverse is true. Thus, value is not something intrinsic to either the labor or the product; value is *imputed* by acting men. Value is not a metaphysically existing substance; an object is simply valued (passive) by someone who actively values it. Marx always chided capitalist thinkers for making a "fetishism of commodities," i.e., ascribing to economic goods a life of their own apart from the human and social relations that make possible the creation of the goods. But this is precisely his labor theory of value. It hypothesized the existence of "congealed labor time" which supposedly gives value to commodities. Had he turned to the individuals who actively participate in all economic action, he would have been led to abandon his own brand of "commodity fetishism." Marx, the self-proclaimed empiricist, was befuddled by his own *a priori* theory.

Contemporary Errors

Yet we should not be too hasty in ridiculing Marx for his insistence on viewing value as something intrinsic in an economic good. People are so used to thinking in these terms that few of us are free from some variety of this basic error. Homes are seen as containing something called "equity"; factories "possess" investments, almost as if these investments were held in some kind of suspension within the factory walls.[2] The Marxist, of course, has a vested interest in this line of reasoning: the master taught it. Why others continue to indulge in such speculation is a perplexing problem. It is a case where the "common sense" economics of the man in the street is in error.

Conservatives do not like communism. As a result, they are willing to reject the familiar tenets of Marx's economics. Those who have read at least excerpts

[1] Cf. Gary North, *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968), ch. 5, especially pp. 155-70. See also Dean Lipton, "The Man Who Answered Marx," THE FREEMAN (October, 1967).

[2] Cf. Gary North, "Urban Renewal and the Doctrine of Sunk Costs," THE FREEMAN (May, 1969).

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from *Capital* and who are aware of the labor theory of value are usually willing to abandon the idea. Unfortunately, it would seem that they abandon it in name only, simply because Marx happened to believe it. They have not abandoned the fundamental approach to economics which Marx employed, namely, the fallacy of intrinsic value. The most common application of this erroneous concept, at least in conservative circles, is the idea that gold and silver possess intrinsic value, while paper money does not. This error deserves special attention.

There are a number of reasons why conservatives make this mistake. They are guided by the best of intentions. They see that paper money and bank credit have led in the past and are leading today to virulent inflations. They fear the economic and social dislocations associated with inflation. They may also see that the modern socialist and interventionist states have used inflationary deficit spending policies to increase their power at the expense of private, voluntary associations. Some of the more sophisticated observers may even have understood the link between inflationary policies and depressions – booms and busts – and they may have concluded, quite correctly, that these trade cycles are not endemic to capitalism as such, but only to economic systems that permit policies of inflation.[3] They associate inflation with policies of the state or the state-licensed monopolies, fractional reserve banks, rather than the voluntary market economy. Nevertheless, they persist in defending the use of specie metals as the only currency (along with fully redeemable paper IOU's to specie metals) in terms of the intrinsic value of the metals.

Value: Historic vs. Intrinsic

There is a basic confusion here. The confusion rests on a mixing up of two very different propositions: (1) gold and silver are *historically* valuable; and (2) gold and silver have *intrinsic* value. The first proposition is indisputably correct; in fact, there are few economic or historical statements that could be said to be more absolute. Professor Mises has built his whole theory of money on the fact that gold and silver (especially gold) were first valued because of properties other than their monetary function: brilliance, malleability, social prestige, and so forth. It was precisely *because* people valued these metals so highly that they were to become

[3] I have summarized this neo-Austrian theory of the trade cycle in my essay, "Repressed Depression," THE FREEMAN (April, 1969).

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instruments of trade, i.e., money.[4] Since they are so readily marketable, more so than other goods, they can become money.

Today we value silver and gold for many reasons, and on first glance, monetary purposes are not the main ones for most people. That is because so few populations are legally permitted to use gold in trade, and the statist policies of inflation have brought Gresham's famous law into operation: silver coins have gone into hoards, since the value of their silver content is greater than their face value as coins. But on the international markets, gold has not yet been dethroned; governments and central banks do not always trust each other, but they do trust the historic value of gold.

Why this historic value? I do not want to involve myself in a rarefied philosophical debate concerning metaphysics, but I think it is safe to say that gold does have certain intrinsic qualities. It is highly durable, easily divisible, transportable, and most of all, it is *scarce*. Money must be all of these, to one degree or another, if it is to function as a means of exchange. It is vital that we get our categories straight in our minds: *it is not value that is intrinsic to gold, but only the physical properties that are valued by acting men.* Gold's physical properties are the product of nature; its value is the product of acting men.

The Case for Gold

It would be a terrible mistake, however, to de-emphasize the historic value of gold and silver merely because they possess no intrinsic value. That mistake is the one which the opponents of gold would have us make. They are equally guilty of mixing up the categories of intrinsic value and historic value, only they argue from the other direction. Conservatives appreciate the fact of gold's historic value, but they mistakenly argue their case in terms of gold's intrinsic value. Their opponents do not appreciate the argument from history, but they spend their time refuting the conservatives' erroneous presentation. They assume that because gold has no intrinsic value (true), gold's historic value as a means of exchange is somehow invalidated. The two positions are diametrically opposed, yet they focus on a common ground which is irrelevant to both positions; the conservatives do not help their case for gold by an appeal to intrinsic value, and gold's opponents do not refute the case for gold by demonstrating the error of that appeal.

[4] Ludwig von Mises, *The Theory of Money and Credit* (New Haven, Conn.: Yale University Press, [1912] 1953), pp. 109 ff.

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Gold's overwhelming acceptance historically by most men in most societies is a lasting testimony to its value as a means of exchange. It should not be referred to as "a storehouse of value," as it is in so many textbooks. What we should say is that gold is readily marketable and for that reason a valuable thing to store. This position of gold in history is a self-perpetuating phenomenon: people tend to accept gold because they and others have in the past; they assume that others will be willing to accept gold in exchange for goods in the future. This assumption of *continuity* is basic to all goods that function as money. Continuity is therefore a function of both the physical properties of gold and of men's estimations concerning other men's future valuations. In short, it involves nature, man, and time. In estimating the importance of gold for an economic system's proper functioning, we must take into consideration all three factors, keeping each clear in our minds. This is why we need economic analysis; without it, we wander blindly.

Ignorance in the short run is seldom profitable; in the long run, it is invariably disastrous. Fallacious argumentation can too easily be turned against one by his enemies. Just as Marx used the fallacious labor theory of value against those classical economists who tried to defend the free market in terms of that theory, so the opponents of gold can use the intrinsic value theory against those who try to defend the gold standard with it. This is not to say that logic alone will convince men of the validity of a full gold coin standard; logic is always a tool used by men of varying presuppositions, and these are in turn the product of pre-theoretical valuations. We should not trust in logic to save the world. But ignorance is far worse: it knows neither its presuppositions nor the probable results of its arguments. It lacks consistency, it lacks clarity, and it can be turned against its user by the enemy. Therefore, let the defenders of the gold standard acknowledge the advent of modern, subjectivist economic reasoning. Let us face the fact that if Böhm-Bawerk's refutation of Marx's labor theory of value is valid, then all other applications of the fallacy of intrinsic value are equally invalid.

If we cannot learn to think consistently on this point, then we will be grist for the inflationists' mill. The inflationistic Juggernaut may resemble a charging elephant in our era. It may be too late to stop it with a small caliber rifle, but we know it cannot be stopped with a pop-gun. ◈

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The Coming Aristocracy

THE OTHER DAY a young high school teacher who is sympathetic to the rebels among the students asked me what I thought of the wave of protest that is engulfing most of our educational institutions. I answered truthfully that I didn't mind students popping off, even if they happen to be wrong. What I did mind was the rebels' failure to see that the first duty of anybody is to become competent, to develop some skill that will carry him through life without being forced to beg his sustenance from others.

If I had had Leonard Read's *The Coming Aristocracy* (Foundation for Economic Education, $3 cloth, $2 paper) at my side at the time, I might have made my meaning plainer to the young high school teacher. For Leonard Read's argument that the true aristocrat is one who pursues excellence comes down to a simple endorsement of the duty to achieve competence. The worst feature of the campus rebellions that are causing such turmoil is the way they waste everybody's time. There are all those books in the libraries to be read, all those languages to learn, all those philosophies to inspect. One doesn't even need good teachers (though it helps), for a teacher is someone to react against if you think he is wrong.

Leonard Read's advice to the rebellious student would be to start a rebellion within one's self against the waste of opportunity. He is a good advocate of his own cause, for he practices what he

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preaches. Moreover, he doesn't offend as a preacher by trying to bulldoze. He depends on lucidity and logic on a take-it-or-leave-it basis.

Forums for Libertarians

I have known Leonard Read for more than twenty-five years, and have watched him work at the task of perfecting his own understanding of what he calls the freedom philosophy. In moments of pessimism I have doubted that any Readean band of true aristocrats can save the world. With Mao Tse-tung extolling the virtues of power as it comes from the barrel of a gun, with Moscow clobbering the Czechs for tentatively suggesting some minor experiments with a free market, and with our own students embracing nihilism and anarchy, who is going to be left alone to try to rise above personal mediocrity?

But then I think of Leonard Read's contributions to the rise of the Mont Pelerin Society, for example. The Mont Pelerin members who have gathered once a year to try to make true correlations in the Read sense are no longer regarded as a tiny sect with no influence on a world that is bound willy nilly for collectivism. Last September Warren Nutter was simply a student of the failure of communist economies to become more than inefficient industrial-military complexes. He appeared at the Mont Pelerin conference in Scotland to read a paper on the turmoil in East Europe. Today he is in the Pentagon, acting as Secretary of Defense Melvin Laird's adviser on the Soviet economic potential. Another Mont Pelerin member, Martin Anderson, is in the White House, doing research that can be trusted to keep President Nixon from relying too heavily on state intervention in economic matters. We have been developing freedom philosophy thinkers to counterbalance the popular John Kenneth Galbraiths and Arthur Schlesingers, and Mr. Read's quiet work in providing forums and focus for the libertarians has had much to do with the change.

Obstacles to Surmount

Life is not easy for anybody who wants to perfect his understanding of the freedom philosophy. For, as Mr. Read points out, if we were to try to divorce ourselves from every last activity tainted with socialism, we couldn't exist. We couldn't ride on a train (rates set in accordance with the rules of the Interstate Commerce Commission); we couldn't use the airways (they are subsidized); we couldn't eat bread (the government controls wheat plantings);

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we couldn't wear cotton clothes (cotton price supports). To live the freedom philosophy to perfection would be suicidal.

But to take life, even one's own, is contrary to the higher law. So Leonard Read supports compromise, but only to the extent that it is absolutely necessary to function in the world. He finds Medicare, for example, to be less tolerable than using the socialized mails, and can forswear accepting its help with less difficulty. He is more of a saint in this than I am: the government has stolen so much from me in a lifetime of taking my taxes to pay for socialism that I intend to get anything out of it that I can as partial retribution. If Medicare can pay me for an expensive operation, I will consider it as a restitution of something that should have been left to me in the first place.

Leonard Read is not surprised to see our so-called higher education in trouble. Working against the philosophy of the Founding Fathers, we set up our primary schooling in the early nineteenth century on a compulsory basis. This, in turn, necessitated a second compulsion: Parents must be taxed to pay the school bill. With the government supplying the schools, it necessarily dictated the curriculum.

As long as the compulsions were limited to the early grades, where the teaching of skills in reading and writing and arithmetic took up the teachers' time and prevented them from going off into realms of philosophy, the danger of indoctrinating the students in favor of socialism was not marked. But when the Federal government began its programs of aid to higher education, we were really in for trouble. College students are all mixed up about the means and ends of higher education. They have come to take it as a right which the state is called upon to provide without charge. But when the state pours in money to support scientific experiment that might help the Pentagon improve its military efficiency, the students resent it. They have been so badly educated in logic that they can't see that the government has a right to get something for its money. In accepting state aid for higher education, the student has, in effect, sold himself to the state whose power he dislikes.

Other Signs of Light

If the young haven't yet caught up with Leonard Read, they are bound to do so as they fight to escape from a bureaucratized world. The "freedom philosophy" makes inroads in the strangest places. Just the other day Supreme Court Justice William O. Douglas,

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of all people, condemned the bureaucrats of the Tennessee Valley Authority for proposing yet another big dam. Justice Douglas waxed wroth because the project would destroy some of the best trout fishing in America. In other words, the Justice had finally tumbled to the fact that the freedom philosophy and conservation are not mutually exclusive causes. Then there is the discovery of Larry O'Brien, who was our Postmaster General, that a bureaucratized Post Office is not an efficient distributor of the mail. He suggested a "public corporation" to be run on private enterprise lines. This would not be wholly satisfactory according to the Read point of view, but at least the "freedom philosophy" had had some effect on Larry O'Brien. ◈

▸ DOLLARS AND DEFICITS, by Milton Friedman (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1968), 279 pp., $6.95.

THE OPTIMUM QUANTITY OF MONEY, and Other Essays, by Milton Friedman (Chicago: Aldine Publishing Co., 1969), 384 pp., $10.95.

Reviewed by Henry Hazlitt

IN THE LAST five or ten years no American economist's reputation has risen more than Milton Friedman's. There are solid reasons for this. He is a man of amazingly wide awareness, at home both in the academic and journalistic fields. He is an acute theoretician, a skilled statistician, an expert mathematician, and a formidable controversialist. His thought is penetrating and precise. And his style is clear, lively, and epigrammatic.

Those of us who have known or read him over the last twenty years admire him as a brilliant expositor and champion of the workings of a free market, and as a devastating critic of price, wage, and exchange controls. His essay on "What Price Guideposts?" in *Dollars and Deficits* is an excellent example of this.

But in the last three or four years he is most often referred to because of his championship of the quantity theory of money. In fact, so thoroughly saturated in the Keynesian ideology have both the academic and journalistic worlds become in the last thirty years, and so ignorant of the past, that Friedman's quantity theory of money is often referred to as if it were some startling new doctrine that he had personally originated. Friedman himself makes no such claim. "The emphasis I have just been placing on the stock of money," he even wrote in 1963, "is widely regarded as old-fash-

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ioned and out of date." And in his Preface to the essays gathered in his latest book, *The Optimum Quantity of Money*, he writes: "The quantity theory of money, once relegated to courses on the history of thought as an outmoded doctrine, has re-emerged as a part of the living body of economic theory."

A large part of the credit for that re-emergence belongs to Professor Friedman himself. A big step forward in this was the monumental *Monetary History of the United States* that he wrote with Anna J. Schwartz in 1963. Friedman's special contribution has been to point out, with impressive documentation, how much more accurately changes in the stock of money have predicted the short-term course of the economy than the Keynesian emphasis on fiscal policy or on the relation between investment, government spending, and income.

There is nothing original, either, in Friedman's insistence that "inflation is always and everywhere a monetary phenomenon, resulting from and accompanied by a rise in the quantity of money relative to output." "Orthodox" economists have been shouting this for years. But Friedman has got more people, including former academic Keynesians, to listen.

He has also got more people to listen to the misgivings that some of us have been expressing for many years, not only regarding the wisdom of the managers of the Federal Reserve System, but the wisdom of having a Federal Reserve system at all.

Friedman's own objections are based on his opinion, which other libertarians ought to share, that monetary policy should be based on strict, objective, invariable rules rather than on the unpredictable discretion or, as he puts it, on "the day-by-day whim of political authorities." He holds that, in the first place, the concept of a central bank as an independent branch of government is not reconciliable with the concept of political democracy. He points to the mistaken goals that the Federal Reserve authorities have followed and to the costly errors they have made again and again since the Federal Reserve System was established in 1913.

I do not recall that Friedman has gone so far as to say, as some of us would, that practically every central bank, including the Federal Reserve System, has served primarily as an inflation factory. But he has repeatedly pointed out that "central banks are a necessary – and today almost a sufficient – condition for a balance-of-payments problem."

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It is when we get a little beyond this point that some of us must part company with Milton Friedman – on both economic and political grounds. He advocates an irredeemable paper currency. He would do away altogether with the gold standard and the requirement of the convertibility of the currency unit into a fixed amount of gold.

His argument here seems to me clearly untenable. "The fundamental defect of a commodity standard," he writes, "from the point of view of the society as a whole, is that it requires the use of real resources to add to the stock of money. People must work hard to dig something out of the ground," et cetera.

Now so far from this being the fundamental defect of a gold standard, I should call it its fundamental virtue. The vice of a paper money is that it is subject to the day-by-day whim of the politicians in power. They can run off on the printing press any amount they see fit. They can depreciate everybody's money-savings, or even make them worthless. But the value of a commodity currency, that has to be discovered and dug and processed and refined, is not dependent on political whim. Gold money retains its value precisely because it costs something to produce, and its supply cannot be arbitrarily increased simply by turning a printing press.

It is absolutely necessary to make the increase in the quantity of money independent of political wishes. The cost of production of the monetary metal is the unavoidable price paid for the preservation of a sound monetary system.

And it happens today to be a ridiculously low price. The total world gold production is less than $1.5 billion a year. The total national income of the United States alone is some $750 billion a year. The total income of the other sixteen-seventeenths of the world's population must be at least equal to this. This means that gold production today costs the world less than one-tenth of 1 per cent – less than one-thousandth – of its total annual productive output. An absurdly cheap rate for monetary insurance.

For this Milton Friedman would substitute the following type of paper money system: "My choice at the moment would be a legislated rule instructing the monetary authority to achieve a specified rate of growth in the stock of money" rising "month by month . . . at an annual rate [(somewhere)] between 3 and 5 [(per cent)]." (*D. & D.*, p. 193)

Friedman has several times changed his mind about this figure. The above was originally

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written in 1962. In his new book, *The Optimum Quantity of Money,* he candidly admits that as a result of further study he would now prefer a monetary increase of only 2 per cent a year instead of his previous advocacy of 4 or 5 per cent a year.

Perhaps this is a good place to remind him that during the past century gold production has increased at an average rate of about 2½ per cent a year, compounded annually, which is amazingly close to his own latest estimate of the ideal annual rate of increase of the monetary stock.

Friedman's personal vacillation is, of course, not a major argument against the monetary formula he proposes. But it does serve to remind us that there is no objective way of determining what the quantity of money, or the annual increase in the quantity of money, ought to be. This must remain a value judgment. Whatever the growth formula adopted, some people will be relatively helped by it and others will be relatively hurt by it. If the money stock is arbitrarily increased by 2 or 5 or X per cent per year, the unavoidable question arises: Who will get the new money in the first instance? Whoever gets it first will benefit at the relative expense of the rest of us.

Thus the issue would inevitably and persistently lead to a political tug-of-war. Even if Friedman could get a 2 per cent monetary increase written into law in the first year, "economic-growth" fanatics, and groups whose money incomes weren't rising as fast as they thought they should, would soon be demanding a legislative change to a 3 per cent annual increase, and others to a 5 or 7 per cent increase, and still others to a "temporary" 10 per cent increase, and so on and on.

Once we explicitly gave the government the power to increase the quantity of money, there would be no practicable way to limit that power. The political Outs would constantly be agitating for a higher rate of increase, and the political Ins would adopt whatever rate of increase they thought most likely to prolong their stay in office.

But Friedman's efforts to find a solution for what has become one of the world's most difficult and controversial economic and political problems are unfailingly thoughtful and stimulating.

Both of the books under review here are mainly collections of essays written over a period spanning nearly two decades. The chief difference is that those in *Dollars and Deficits* are selected as "intelligible to the public at large," and those in *The Optimum Quan-*

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tity of Money are more technical and addressed primarily to fellow economists. ◈

▸ *SO HUMAN AN ANIMAL* by Rene Dubos (New York: Charles Scribner's Sons, 1968), 267 pp., $6.95.

Reviewed by Robert M. Thornton

THIS is an age of pseudo-science and scientific superstition. For many of our contemporaries, as Jacques Barzun observed, science "is at once a mode of thought, a source of strong emotion, and a faith as fanatical as any in history."[1] The description fits many popularizers and mere technicians, but the really great scientists tend to be humble men who regard creation with feelings of awe, feelings which deepen as their knowledge expands. Rene Dubos, the noted biologist, is one such.

He bids us in this book to rise above the simple-minded and degrading notion that man is a machine, to forswear the idea that the conquest of nature and the moulding of minds are proper human goals. He demolishes the opinion that we ought to do something (like put a man on the moon) merely because we have the technical capacity; such a position is operationally and ethically meaningless, and reflects an intellectual abdication as well. Dubos urges scientists to become more concerned with questions about the nature and purpose of man, adding that the material satisfactions made possible by technology have added little to human happiness nor deepened our sense of the significance of life.

These are startling words for our time coming, as they do, not from a theologian or a philosopher but from a scientist. They set the mood for the book. Instead of the presumptuous airs of today's "intellectuals" we find Dubos speaking of the *mysterious* relation between man and nature. Some readers may recall the scene in the film, *The Treasure of the Sierra Madre,* in which the characters played by Walter Huston and Humphrey Bogart are leaving the mine they had dug in a mountain. With a fortune in gold dust and bandits nearby Bogart is anxious to leave quickly, but Huston insists on taking the time to "tidy up the mountain." It isn't right to open holes in the earth and not seal them up. The mountain was good to them, he goes on to say, and they should be good to the mountain. Quaint, we say, but along comes Dubos saying much the same thing even more eloquently about man's continuity with the past and the rest of cre-

[1] *The Glorious Entertainment* (N. Y.: Harper, 1964), p. 3.

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ation about the nonmaterial -- or spiritual, if you will – relation between man and the rest of creation. It is the quality of this relationship that measures the humanness of life.

Dubos, like Joseph Wood Krutch, does not believe we learn as much about animate nature from dissection and analysis as from sympathetic observation of *living* creatures. Both men stress the importance of a communion with nature and nature's creatures – a welcome relief from self-styled realists, unconcerned about preserving our natural heritage, and from sentimentalists whose good intentions sometimes do more harm than good.

Dubos takes a balanced view of man, viewing him as the creative user of biological, psychological, political, environmental, and economic factors. Dubos recognizes that man becomes truly human only as a member of society but he also sees that one of the distinguishing characteristics of man is his freedom to choose, to make value judgments. "The life of a particular person becomes to a very large extent what he wants it to be, through a succession of deliberate choices . . . steered at every step by the vision of . . . goals." ◈

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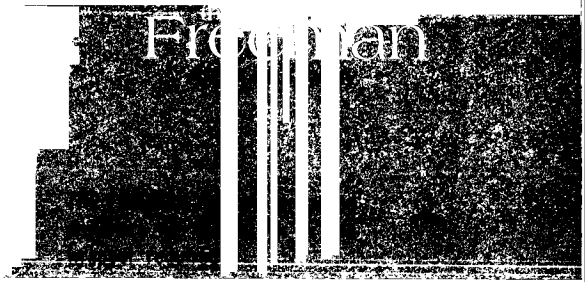

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